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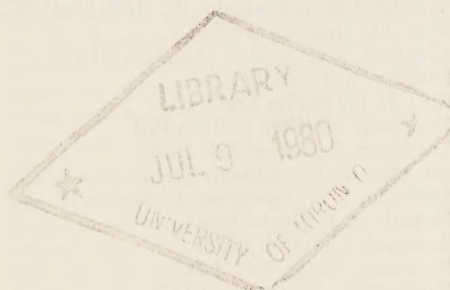
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Legislature of Ontario Debates

Official Report (Hansard)

Standing Committee on General Government
Estimates, Office of the Assembly



Fourth Session, 31st Parliament
Wednesday, June 11, 1980

Speaker: Honourable John E. Stokes
Clerk: Roderick Lewis, QC

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LEGISLATURE OF ONTARIO

STANDING COMMITTEE ON GENERAL GOVERNMENT

WEDNESDAY, JUNE 11, 1980

The committee met at 10.18 a.m. in room 228.

ESTIMATES, OFFICE OF THE ASSEMBLY

On vote 1001, Office of the Assembly program:

Mr. Chairman: I think we will see a quorum. We are going to be examining the estimates of the Office of the Assembly.

We have with us the Speaker of the House. If the Speaker has any opening remarks we would be more than pleased to hear what he has to say; or, alternatively, any questions. Otherwise we will turn to the Clerk of the House, Mr. Lewis, to whom I made a commitment to have the opportunity of speaking first in regard to estimates.

Clerk of the House: Thank you, Mr. Chairman. I have a group of returning officers waiting at the election office for an instruction class, so I would like to get away as conveniently as possible.

Mr. Nixon: That's nothing special, is it?

Clerk of the House: No, nothing special. We have been having them for months.

On item 1, Office of the Speaker:

Mr. Speaker: You will note that our increase is very modest, to say the least. Our estimates for 1979-80 were \$242,700. We are asking for \$243,000, an increase of \$300. The price of paper must have gone up a little.

I think the Office of the Speaker is alive and well. We have seven on regular staff. We have a sessional teacher and a sessional attendant. That is no change from last year. There is nothing extraordinary going on in the Speaker's office. It is business as usual.

I would be prepared to answer questions that you might have specifically on the Office of the Speaker.

Mr. G. E. Smith: I would like to ask a question of the Speaker. When I was Deputy Chairman I believe there were meetings held with the TV and the press concerning TV coverage. The present system of televising, I believe, was introduced on a temporary or

a trial basis with the thought that at some point there might be permanent installations for the cameras.

I am wondering if there have been any further developments on this type of coverage. I believe at the time we were discussing this, that the cable company—Rogers Cable TV or one of the cable companies—agreed to provide an electronic Hansard, if that is the word, and make the feed available to the various networks. I am wondering if you could brief us.

Has there been any change as far as permanent camera installations are concerned? I get some complaints from people from time to time that up in your gallery they are sometimes almost pushed out of the way to make room for the TV coverage.

Mr. Speaker: The committee you referred to is an ad hoc radio and television committee that is convened from time to time by the Speaker when there seems to be a problem, or if we are looking for ways of improving things. It was much more active when you were the Deputy Chairman.

10:20 a.m.

The televising of the constitutional debate was at the instigation of the three House leaders, and from all the reports that I got it worked reasonably well, but it was just for that specific debate alone. As a result of that we did have the Ontario Educational Communications Authority in, and I think they did an excellent job on our behalf. Canadian Cablesystems Limited through Mr. Philip Lind, who is vice-president in charge of programming and planning, have indicated some interest in doing it on a more complete basis.

We have a meeting set up with Dr. Parr of OECA to run over their experiences with that debate I referred to earlier. We thought it would be useful to enter into some preliminary discussions with him to see whether or not there was some interest from them, to come in and do the complete job—I don't know that we would want to call it an electronic Hansard in the same way as they do in Ottawa, because if you are going

to do that it will require an expenditure of between \$4 million and \$5 million for a complete installation, plus operating costs on an annual basis of anywhere from \$900,000 to \$1 million.

I don't see that kind of interest, either in this building or outside of it, for approaching it to that extent. All I can tell you is we are going to meet with Dr. Parr to get some idea of whether or not there's some interest from them, and then we'll be meeting with Canadian Cablesystems Limited to see what ideas they have.

I want to remind you that if for whatever reason the assembly or the public out there thinks we should have a complete electronic Hansard, it's a pretty costly installation. It's costly to operate and it's going to require an awful lot of space that we just don't have. I had an opportunity to see the installation in Quebec, which they have rented from a Japanese company. It's costing them over \$2 million a year just on a rental basis.

I think there's a lot more interest in what's going on in the national assembly in Quebec than there is in what's going on in the Legislative Assembly of Ontario. As I say, we are looking at it to see if we can find somebody who will come in and do it for us. As to whether people are clamouring for it, we've got an open mind about that. That's where it stands at the present time.

Mr. G. E. Smith: I would like to clarify that I wasn't recommending an electronic Hansard, I just used the terminology. It was more the idea of a permanent type of a television installation—an area for the cameras to work from, rather than use as much space in your gallery as at present. That was my observation.

Mr. Speaker: That is the problem with us. We have authorized six camera positions in the centre of the Speaker's gallery, but every once in a while when something of real importance—in the minds of the electronic media—is going on in the Legislature, they want to pre-empt yet more space in the Speaker's gallery. It does become a problem for us from time to time and I suppose we are going to have to come to grips with it, because that is prime space in the gallery.

We've got an open mind about it, and if you people have any ideas as to how we could improve upon it we would be happy to hear from you. I think in the fall we will be calling this ad hoc committee together to tell them of our conversations with others, who seem to have some interest in it, anyway.

Mr. Chairman: Any further questions?

Mr. McGuigan: Mr. Speaker, are there any engineering studies or sketches or drawings that have been done to see how we may be able to accommodate these people in the chamber without as much interruption as at present?

Mr. Speaker: There have been some preliminary discussions as to how we would go so that we wouldn't be pre-empting prime space. Others have suggested that we build platforms above the present galleries to accommodate the electronic media. It has to do with the sharpness of camera angles when they are taking pictures; there are some technical difficulties in that, and, of course, we have some engineering problems, this being an old building.

We did try to devise a way of getting them in and out without disturbing everybody in the Speaker's gallery—when there are a lot of people around they are tripping over one another with tripods and other camera equipment, and it is less than an ideal hookup—and we discussed it with the Ministry of Government Services.

The wall immediately behind is a bearing wall about six feet thick, and the last time we got an estimate they wanted about \$14,000 just to put a hole in that wall to provide access and egress for those people. That was three or four years ago and I am sure the cost has gone up considerably since then. I don't know whether it is a wise use of funds on a sort of ad hoc basis. I am not an engineer.

I don't see any real pressure, as long as there is no criticism of the way in which we are doing it. I know it is an inconvenience to our guests in the gallery. Mr. Nixon drew my attention to the fact that we had a visitor from the House of Lords sitting up in the gallery the other day, and when you looked up, there was the rear end of a cameraman right in the face of our visiting lord. Now, that's less than ideal.

Mr. Nixon: Wearing last year's blue jeans—

Mr. Speaker: Yes.

Mr. Nixon: —or last month's.

Mr. Mancini: Mr. Speaker, when you say there is no pressure and that there seems to be no demand for the electronic Hansard, how do you make that assumption? I, as one member of the House, would like to see the electronic Hansard. I think it's necessary—I think it's needed.

Mr. Speaker: It's nice to hear from you.

Mr. Mancini: I didn't know you were waiting for members to stand or to write letters to inform you that this was necessary. I thought there was a general feeling in the

Legislature that an electronic Hansard was something we had hoped to have in the near future, if possible.

Mr. Speaker: There has been no pressure on me to provide it.

Mr. Nixon: The Liberal caucus has indicated, I believe publicly—I have said so myself and I believe it has been mentioned in these meetings—that we believe in and support the concept that the Legislature is wide open to all media and that in the long run it is going to be necessary to improve the coverage.

My own feeling is that building a high platform is simply not even worth considering—I feel that very strongly. The biggest drawback to having the cameras in the gallery under the clock is the camera angle. You will notice that the quality of the picture compared with Ottawa, or even city hall downtown, is very poor.

Usually they show the figure in the background, perhaps with a picture large enough to show the context with Mr. Speaker and a couple of pages sitting at his feet, and it is the news reporter who is paraphrasing what the politician is saying. Only rarely are there voice clips taken. I believe that is because the quality of the picture is so bad. It is quite difficult to get any kind of focus or any kind of picture of sufficiently high quality to show on a news program or even a public affairs program.

My own feeling is the only way we are ever going to be able to get quality television in the House is to have a permanent setup similar to the one that we had for the Confederation debate and that we have used from time to time for the budget. That is where there is a camera, down low, right behind each of the benches so they can focus back and forth on the individual who is speaking. Then you can get the high quality that is obviously demanded.

I still feel that in the long run we should have at least three cameras. I would hope also that eventually we can persuade the press gallery to permit a camera to go at the top of the spiral staircase directly over Mr. Speaker's chair. It seems to me that with those three placements, when the time comes, we would get very good coverage of the House. It could be, as you say, an electronic Hansard including a common feed, so that everybody can pick off any part they want.

10:30 a.m.

It is a little premature to argue about whether or not the rules should dictate having the camera focusing only on the speaker

in the way they have evolved the rules in Ottawa. I think the quality of their electronic Hansard is amazingly good. From my particular point of view, anyway, it makes very good television. I find it very interesting—although I feel the quality of the debate doesn't come up to what we are used to, but that's another matter, Mr. Speaker.

I think it would be worthwhile to get some pretty definite quotes of what that would cost. Obviously, there is going to have to be quite a bit of planning before we proceed.

Mr. Speaker: And space. Other than financial considerations, space is a problem.

Mr. Nixon: Yes, but if we had one camera behind the rows of members' seats—even if it were not convenient to have the third camera over your chair—that doesn't take space.

Mr. Speaker: You will recall that all of the backup equipment that was required to do that recently was out in the parking lot.

Mr. Nixon: Yes. I suppose perhaps Mr. Speaker's office might be made available, or something like that.

Mr. Speaker: Go and take a look at the space that is required to do what they do in the National Assembly—

Mr. Nixon: I just wanted to say also—I think I have said this before; it may be a function of my declining years—I really feel that our sound system is not up to the mark. I still feel that. I know we have spent a lot of money on it and we have had a lot of problems. I just think it's second rate. That's the view that I have. I think we should be able, under normal circumstances, to hear very readily in that House, even if there is a certain amount of background noise.

Mr. Speaker: If there were fewer interjections it would be much better.

Mr. Nixon: You want it like the House of Keys, do you?

Mr. Speaker: That would be the ideal.

Mr. Nixon: Oh, no.

Mr. Speaker: You will have an opportunity to question Mr. Brannan under item 4. I am sure he's mentioned it before to meetings of this nature and also before the members' services committee. I don't know that it is the best in the world. I suppose if you want to give him carte blanche to get the best—

Mr. Nixon: I thought we did.

Mr. Speaker: The jury is still out on that, I guess.

Mr. Bounsall: Further to the point of not hearing from members on the electronic Hansard: At our caucus meeting yesterday, we didn't form an opinion on the topic of provision of space and that whole problem of a permanent situation which wouldn't interfere with guests in the gallery. It was mentioned, however, that one camera company—Ontario Educational Communications Authority was mentioned specifically—should do a complete and presentable filming of the question period, at least, with anyone else who wanted to getting a feed off that. We felt that would be desirable as a means of eliminating the battery of cameras we have up there.

That met with general assent around our caucus table and certainly no disagreement. I am sure if that specific question was formally placed to our caucus we would agree that the Legislature should be appropriately covered by cameras that would pick up a good reproduction of the question period, and that it be done by one company only—OECA—with feedoffs to anyone who wants to take clips from it.

Mr. Speaker: I don't know if you were here when I was answering a question from Mr. Smith. We are meeting with OECA, who are coming up with a definite proposal, but I don't know if it will cover the situation you refer to.

We have said there are six camera positions in the gallery. They are allocated on the basis of one each for CTV, CBC, Global Television Network and CITY TV; the remaining two are floating; I believe CHCH in Hamilton has one of these. We allow another camera over in the west end of the Speaker's gallery on a first come, first served basis. It is less than an ideal hookup, but it seems to satisfy those who are interested in getting a clip of what is going on here.

Mr. Bounsall: Okay, but in speaking to the permanent situation requirement, a question that was put to us yesterday at caucus, the solution suggested was not to have that many cameras. If you had those cameras out of there and you had only one company filming with the others feeding from that, it would solve a lot of the space problem or any great moneys expended on a permanent location problem. The appropriate company to do that would be the Ontario Educational Communications Authority with whoever wants to, feeding off it.

Mr. Speaker: There are no problems that money will not solve. I want to remind you that in order to get OECA to come in and

do what they did—and I think they did it extremely well even though they had mobile equipment out in the parking lot—we are going to have to come up with a little over \$52,000 to OECA for doing that work for us, plus in excess of \$7,000 for translation services. That was just for one week of coverage and it was a bargain at the going rates today.

Mr. Bounsall: I think so, but let me try to make a point which emerged, that one could see a proliferation of cameras at any location, or more up there in the gallery. The feeling was that was unnecessary. There should be electronic recording, but it should be done by one outfit with feedoffs taken from it, rather than trying to accommodate all the different electronic news media with their cameras.

Mr. Speaker: We do have a meeting with OECA. It is my understanding they are going to come up with a proposal. As soon as they bring it to us we will be convening this ad hoc committee to give them the benefit of OECA's suggestions.

Mr. Bounsall: There is certainly a feeling from our caucus that the electronic recording of the question period, at least, is desirable.

Hon. Mr. Gregory: Mr. Chairman, I seem to recall that we had a meeting of the television committee, or the communications committee, some time ago—you may not remember, it is quite a while since we had a meeting of that committee which you chaired. There was considerable opposition from the press gallery to suggestions of bringing in any other body, who were not members of the press gallery, to record.

Our caucus's position is that there is very little support for the idea of an electronic Hansard as such. We question the value of the money spent. When Hansard records the words, I cannot understand the value of recording of pictures; we are not the best looking bunch in the world. It seemed to be an unnecessary expense.

Certainly the press gallery themselves, and the television groups and networks that are covering at present, do not seem to be over-enthusiastic about covering the proceedings of the House except for short news clips which they use and, as Mr. Nixon has already said, they do not even use the members' words. They put their own definition on what is being said at the time. So I do not really see the expenditure on electronic media.

Granted, we do have something in Ottawa; it is very entertaining from time to time. I

catch it once a month or so if something exciting is coming up. I really cannot see an overwhelming demand on the part of the public to watch the proceedings of our House at this time.

Another thing that was demonstrated during the very excellent coverage of the constitution debate was the gymnastics we had to go through—or did not have to necessarily but did go through—in order to provide a good background for the speaker, which is somewhat hypocritical; we took part in it too. I think it is a little hypocritical when we have to jockey members around in order to make it appear to the public that we have a full House. I really think we are asking for trouble if we bring in something to give coverage at all times.

10:40 a.m.

Mr. Speaker: I want to remind the members of the committee that the lighting system did not cost the assembly a cent. It is there, courtesy of CBC. The lighting is less than ideal but it suits their purposes and most members seem to tolerate it. I know we have about 30 foot-candles of power there on a regular basis. For the constitutional debate, they upped it to 120 and it was very uncomfortable at times.

If you are going to go into it, even on the basis that Mr. Bounsall suggests, we would have to provide our own lighting. That is an expenditure of funds you may be prepared to underwrite. They operate with about 70 foot-candles of power in Ottawa, which is about half of what we operated with during the constitutional debate. The comfort of members is something we will have to consider too.

Mr. Bounsall: If I could just comment, the only time I can see adequately is when those additional lights are on during the question period. I find the chamber is rather murky and not well lit otherwise.

Mr. Speaker: We are all growing old, Mr. Bounsall.

Mr. Chairman: Mr. Nixon was just complaining about the hearing.

Hon. Mr. Gregory: That was another point I wanted to touch on. There was some discomfort during that week. We should all get the Victoria Cross for sitting in there all that time. If we had to put up with that heat in the House on a continuing basis for the sake of recording our beautiful features on tape, which I do not think would be in demand by the people, we are going to have to find some way of lighting the chamber without all that heat. I felt it was intolerable.

Mr. Mancini: We have heard now from spokesmen for all three parties. It seems two of the three parties have encouraged the Speaker to move ahead for proper and better TV coverage, and Mr. Gregory seemed to say his party was not in favour.

Where does that leave us and where does it leave Mr. Speaker? What do you plan to do at this point now that you have heard from some of the members of the general government committee, the House leader for the Liberal Party and from Mr. Bounsall and others?

Mr. Speaker: I am reminded by Mr. Fleming that a lighting study of the chamber was done about five years ago and the cost estimate at that time, for improving the lighting and bringing it up to the standard that would provide a good picture, was about \$250,000. It meant changing the whole ceiling in order to reflect the right amount of light. Anything that cost \$250,000 five years ago I will leave to your imagination what it would cost now. They did it in British Columbia, apparently and the glare was so bad they stopped the whole process and it was money down the drain.

We are dealing with an old building. It is the responsibility of the Speaker, who is a servant of the House, to react to what the majority wants. All I can tell you is to reiterate that we are meeting with OECA; it is my understanding they have a definite proposal for us. We will convene this committee, take a look at it and we will be making a recommendation to the House based on what OECA or what Canadian Cablesystems Limited has to suggest.

Item 1 agreed to.

On item 2, Office of the Clerk:

Clerk of the House: As far as the Office of the Clerk is concerned, Mr. Chairman, we are slightly down from last year as one of the programs has been transferred to another area. The only increase we have is the normal allowance for salaries and wages.

Mr. Mancini: What were some of the salary increases this year, Mr. Clerk?

Clerk of the House: We are providing in these estimates for the normal increments.

Mr. Mancini: May we have some examples of what the normal is?

Clerk of the House: Every ministry and every office provides in its estimates for the normal yearly increment.

Mr. Mancini: Yes, I am just asking what the normal figure would be, sir.

Clerk of the House: Five per cent is what they are allowing.

Mr. Mancini: So everyone in the Clerk's office would get a five per cent increase.

Clerk of the House: On April 1 of last year, there was a five per cent increment. Any increase above that will be introduced in the supplementary estimates.

Mr. Mancini: So we are talking about the time period from April 1979 to April 1980. That is the time frame we are speaking about?

Clerk of the House: March 31.

Mr. Mancini: Fine, and that is the area in which we are talking about the five per cent.

Clerk of the House: That's right.

Mr. Mancini: Were there any specific instances of increases above the five per cent?

Clerk of the House: For the current fiscal year, 1980-81, an 8.3 per cent increment has been approved by the Board of Internal Economy. But that will be in the supplementary budget.

Mr. Mancini: There wouldn't be any cases of specific instances where it would be far greater than that?

Clerk of the House: No.

Mr. Chairman: Any further questions?

Before you begin, Mr. Watson, I might say I was intending to include the Office of the Clerk and the election office with the chief election officer, so they could leave together. Are there any general questions on those two items? Let's finish the Clerk's office first.

Mr. Watson: You mentioned one of the programs had been transferred.

Clerk of the House: The legislative intern program was transferred to the sessional requirements. It was transferred from the Clerk's office to item 5, sessional requirements. That's the only one.

Mr. G. E. Smith: Are the grants to the parliamentary associations based on a formula as to the number of members in the Legislature? Is it so much per head or does it vary?

Mr. Speaker: No, it's done by the Commonwealth Parliamentary Association office in London and it is based on a combination of ability to pay and on the amount of money required from all the participating branches in order to keep it operating. Ours, I believe, is \$18,000 and you will recall we did make a one-time payment for the capital fund that will be invested and the proceeds will be used to help emerging nations. But this is based on a combination of population and ability

to pay on a formula worked out in London, England.

Mr. Chairman: Speaking of exciting things—Mickey Hennessy.

Mr. Hennessy: You got the needle out, eh? Nixon is keeping quiet and now you are starting.

Just to spoil your day, Jack, the Office of the Speaker, the actual was \$166,963?

An hon. member: You just can't keep going back and forth.

Mr. Hennessy: Don't go back then, it doesn't worry me. There is \$50,000 difference there, Jack, then \$1,000 on the next one and \$8,000 or \$9,000 on the other one. Why is there a \$50,000 difference?

Mr. Speaker: On what?

Mr. Hennessy: The actual and what your estimates are.

Mr. Speaker: Yes, but you are talking about ancient history. There was an increase of \$166,000 to \$242,000. We took over the pages' program. The amount of money spent on the pages' program was transferred from another account to the Office of the Speaker, but that is two years ago. That's just some historical background.

If you want to look at what we are asking for, it is over in the lefthand column, \$243,000, which is up \$300 from the actual of 1979-80.

Mr. Hennessy: Okay, thank you.

10:50 a.m.

Mr. Chairman: Are there any further questions for the Clerk? No further questions? Shall item 2 carry?

Item 2 agreed to.

On item 3, chief election officer:

Clerk of the House: Here again, we are down on our salary expectancy and altogether we are down about \$17,000 from the last fiscal year. The net result is we are down 4.6 per cent, that is \$4,600 from last year.

Mr. Chairman: Do you have an inquiry, Mr. Mancini?

Mr. Mancini: I was going to ask the same question for this department as I did for the Office of the Clerk. I would like to know what the average salary increase was for the election office.

Mr. Miggiani: Mr. Chairman, may I answer this question?

Mr. Chairman: Yes, please do.

Mr. Miggiani: The salary increase in this budget represents the five per cent that was awarded in the board, effective April 1. That is the salary in this budget and it has not

changed throughout the year. The increase we have this year will be represented in a supplementary estimate which we will introduce later on this year. So the five per cent is right across the board.

Mr. Mancini: But there will be supplementaries.

Mr. Miggiani: There will be supplementary estimates introduced this year to cover the current increase.

Mr. Mancini: What will that increase show?

Mr. Miggiani: It will be 8.3 per cent.

Mr. Mancini: That is across the board? There are no specific cases of a greater increase than that?

Mr. Speaker: Yes, there are, but it will be in the supplementary estimate.

Mr. Mancini: Can I be informed of what that will be?

Mr. Fleming: There will be one or two examples of 9.5 per cent.

Mr. Mancini: So five per cent would have been for March 1979 until March 31, 1980. Right?

Mr. Fleming: Right.

Mr. Mancini: Okay, then we were talking about an 8.3 per cent commencing April 1, 1980, which was a couple of months ago. Then on top of that, is there a further nine per cent increase?

Mr. Fleming: No, you were asking if there were examples of anyone who would receive any more than that. In the supplementary estimates covering certain senior positions, which are equated with the public service, there will be some who are granted 9.5 per cent instead of the 8.3 per cent.

Mr. Mancini: That would be the top figure? There are no—

Mr. Fleming: Right. Mr. Wilson, perhaps, could answer this finally.

Mr. Wilson: There are certain categories, approximately five people in the office, who, in keeping with the amounts awarded by the Civil Service Commission, will be receiving a 9.5 per cent increase. These are certain senior executive positions within the office.

Mr. Mancini: So there are five people in the office who will be receiving the 9.5 per cent.

Mr. Wilson: Yes.

Mr. Speaker: Perhaps, Mr. Wilson, you could explain the broadbanding aspect that has been transferred over.

Mr. Mancini: The 8.3 per cent is not relevant then, if all five are getting the 9.5 per cent. The 8.3 per cent is—

Mr. Fleming: The 8.3 per cent applies to all the staff in the Office of the Assembly with the exception of these five individuals, who would receive 9.5 per cent rather than 8.3 per cent.

Mr. Mancini: So instead of using 8.3 per cent, we just use 9.5 per cent and that's the figure we are talking about.

Mr. Fleming: For those five individuals.

Mr. Mancini: For those five individuals, right. Fine, I just wanted to be sure about this. You were going to explain something to me?

Mr. Wilson: I was going to explain that the five are the senior executive positions: The Clerk of the House, the director of administration, the finance officer, the personnel officer and the chief of Hansard.

Mr. Mancini: I was referring specifically to the office of the chief election officer.

Mr. Wilson: The Clerk of the House is also chief election officer.

Mr. Mancini: Yes, I know; that was the office I was referring to.

Clerk of the House: I do not get paid as chief election officer; I get paid as Clerk of the House.

Mr. Mancini: Is there a deputy chief election officer?

Clerk of the House: Yes, Mr. Bailie.

Mr. Mancini: What was his salary increase this year?

Mr. Fleming: For these estimates it would have been five per cent. For the forthcoming year, it would be 9.5 per cent.

Mr. Mancini: So it was five per cent from—

Mr. Fleming: From April 1, 1979, to March 31, 1980. The next increase would not apply until April 1, 1980, and that would be 9.5 per cent.

Mr. Mancini: And there was no other increase for Mr. Bailie except the 9.5 per cent?

Mr. Fleming: There was a reclassification on the approval of the Board of Internal Economy to a different position.

Mr. Mancini: In percentage terms how much was the reclassification, as you call it, worth?

Mr. Fleming: I could not tell you exactly; Mr. Wilson would have to answer that.

Mr. Wilson: I haven't got specific figures.

Mr. Speaker: It was an increase from \$32,200 to \$41,000.

Mr. Mancini: \$32,200 to \$41,000.

Mr. Speaker: That was a catchup. There had not been an adjustment made for seven or eight years.

Mr. Mancini: Did Mr. Bailie get regular increases during those seven or eight years?

Clerk of the House: He got the normal increment, whatever the percentage increase was. This reclassification was to bring him somewhere near his opposite numbers in other provinces. He is still behind the others, I may say.

Mr. Mancini: We are talking here of an increase—this gentleman had received regular increases, whatever they were, along with other civil servants in the province?

Clerk of the House: He is not a civil servant.

Mr. Mancini: I said, "along with other."

Mr. Fleming: Previously he was classified as executive officer 3, receiving a salary range of \$26,625 to \$33,175 which is in this budget. The position was then reclassified and the salary range is now \$41,000 to \$50,200, and the position classification is program executive 5.

Mr. Mancini: To me this appears to be pretty close to a 30 per cent increase—I am not a mathematician—plus the 9.5 per cent; and we felt it was fair to do this all in one year?

Clerk of the House: Yes, he was reclassified because he had been underclassified for at least seven years. He was at least \$12,000 behind his opposite numbers in other provinces that are anywhere near comparable to Ontario, for instance, Alberta, British Columbia, Quebec, you name it, he was behind them. He was at least \$12,000 behind them all. He was brought up into a new classification to bring him somewhere near his opposite numbers in other provinces, but he is still behind.

Mr. Mancini: I am sure the gentleman is deserving of what the assembly pays him, but I just find it somewhere difficult to understand. He has received a 40 per cent increase which is, in my view, astronomical when we are asking all people in all different sectors of economy and government to accept restraint.

Clerk of the House: He was reclassified. He was underclassified.

Mr. Mancini: I understand that fully but I have to get my views on the record also

when we see these types of things happening. I certainly do not want to discuss the merits of the reclassification; I do not want to discuss the reasons why you felt it was necessary or not; but it is important for me, when I see things such as this, to get my views on the record because many of my constituents are also doing a good day's work and when they find out that certain individuals receive a 40 per cent increase in one year they would probably want to know if—

11 a.m.

Mr. Speaker: If I might interject, Mr. Chairman, just to clarify the process. The recommendation came to the Board of Internal Economy from the chief election officer. Mr. Lewis sits in on the Board of Internal Economy meetings but he does not get a vote, neither does the Speaker get a vote. Anything that falls within the purview of the Board of Internal Economy, which is the equivalent of management board elsewhere, is placed on the agenda and it is put before the members of the board. The merits or the demerits of the case are discussed by the board and it is the board members who make the decision as to whether or not the request is granted.

Mr. Mancini: Following the recommendation—

Mr. Speaker: That is right, but the ultimate decision is made by board members and the net result is the collective consensus that is reached in the Board of Internal Economy. The Board of Internal Economy made the ultimate decision and felt an injustice had been done over the years. You are absolutely right, it does sound like a large amount of money.

Mr. Mancini: It is a large amount of money.

Mr. Speaker: You can only assume that we have been getting a bargain over the years.

Mr. Nixon: If I might just interject, the ultimate decision, I suppose, is made here and in the House.

Mr. Mancini: I would like to ask the Clerk why all these years—

Clerk of the House: I was negligent. I should have made the recommendation with respect to that position at least eight years ago. It was not until it was called to my attention that I realized the injustice that had been done. It was another member of my staff who brought it to my attention.

Mr. Mancini: I just wish there had been another way this could have come about

because for anyone in the public service to have a 40 per cent increase in salary—I know there is a good explanation for it and I have heard your explanation for it, Mr. Clerk—it just seems really astronomical.

Clerk of the House: It actually should have been retroactive for some years.

Mr. Mancini: I am not a member of the Board of Internal Economy but we do have a member. I do not know if I would have been as receptive to a 40 per cent increase all at once as the board was, notwithstanding the reclassification.

Mr. G. E. Smith: I would like to ask a question pertaining to the chief election officer's budget. In an election year, how are the costs covered? Is it by supplementary estimates?

Clerk of the House: By an accountable warrant issued for the purpose.

Mr. Bounsall: I have no objection at all to the 9.5 per cent increase the five individuals have. I am concerned about all the rest who only got the 8.3 per cent. What was the justification used? I understand there was not a reclassification in the case of the five that would cause a 9.5 per cent increase for some and only an 8.3 per cent for others. Both groups face the same cost of living increase. What justification was used to pay 9.5 to one group and 8.3 to the other group?

Mr. Speaker: It was on the recommendation of Mr. Wilson, so that the people who come within the purview of the Office of the Assembly could be in lock-step with what is going on elsewhere. We do have some excellent staff here and we have to compete for the kind of expertise they have with those who are classified under the government service.

Mr. Wilson was able to convince the Board of Internal Economy that the 9.5 per cent in those categories was warranted, and I would ask Mr. Wilson to make the same presentation here, that he made before the Board of Internal Economy.

Mr. Wilson: Your explanation covers the case quite adequately, Mr. Speaker. It's a case of competition in the senior ranks and, at the same time, trying to stay in line with what the civil service in equivalent positions are doing. This was the recommendation that was put forward by the commission and accepted by the Management Board of Cabinet on the theory of providing a competitive wage for the people at that level. It's also by means of being a catchup, because they had received the same or smaller increases over the past few years.

Mr. Bounsall: They received lower percentages?

Mr. Wilson: In some cases, yes.

Mr. Speaker: The explanation that was given to us, and I'm quoting here:

"It has been felt by the Civil Service Commission that for several years Ontario has been falling behind other provinces in the level of salaries it pays its senior management; for example, Québec, Alberta, and British Columbia and possibly some other provinces. Consequently it is proposed to give a 9.5 per cent increase to all employees in the program executive plan and the senior compensation plan, including deputy ministers.

"It has been suggested that in June or July, deputy ministers may be given a further percentage increase to redress the problem vis-à-vis comparisons with other provinces, and the following positions equate with these plans and are recognized by the Civil Service Commission."

Of course, the people who were given that were Mr. Lewis, Mr. Fleming, Mr. Land, Mr. Joynt, Mr. Miggiani and Mr. Wilson, for the reasons that I have just explained.

Mr. Bounsall: As I have said, I have no objection to their getting the 9.5 per cent; I was interested in the justification. So it was a case of matching a civil service classification increase that occurred?

Mr. Wilson: Yes, this is true.

Mr. Bounsall: Did the civil service also comment? Were they the ones who derived the 8.3 per cent for those in a lower category and made comparisons of their salaries with British Columbia, Alberta and Québec?

Mr. Wilson: The exact percentage is 8.36 per cent. Of course, they have two distinct classes, management and the bargaining unit class. The management class, into which the majority of the administrators and senior clerical types fall, do not have a negotiating right; therefore, their award is arbitrary.

The selection of 8.36 is not only related to other provinces or other jurisdictions but also to the settlements achieved by the bargaining unit. In most cases they were between 7.2 and 9.2 per cent, so the 8.36 was a compromise, an arbitrary award given to the excluded management classes.

Mr. Bounsall: Was the 8.36 per cent a weighted average of the range?

Mr. Wilson: Yes.

Mr. Bounsall: It was a weighted average, and simply and solely dependent upon what the bargaining unit was able to achieve?

Mr. Wilson: Yes; in terms, of course, of the cost of living increase.

Mr. Bounsall: Here again, then, quite apart from what the bargaining unit was able to achieve, did the commission speak, in the way that it did for the management group, to the relative positions of those in the bargaining unit compared to those salaries paid in other provinces?

Mr. Wilson: I believe so. I am not privy to all of the research that they carried out, but I believe they did so, yes.

Mr. Bounsall: Can you recall whether it was higher or—

Mr. Wilson: I could find out, it varies. I would have to dig into records.

Mr. Bounsall: I would like to see that information tabled with the committee, Mr. Chairman, if that's possible.

Mr. Chairman: I will ask the Clerk if that could be arranged.

Mr. Wilson: A comparison of the increases, I believe that was the question. Comparison of the increase awarded to the management classes—

Mr. Bounsall: No, I asked if the commission had commented at any time about comparing the increases given and achieved, I gather, through bargaining, to those increases in salary ranges paid to equivalent people in the other provinces in the same way they did for the management increase.

11:10 a.m.

Mr. Wilson: I will have to go back to the Civil Service Commission to discover this.

Mr. Chairman: Mr. Bounsall's request can be accommodated, I take it.

Any further questions, Mr. Bounsall? Any further questions by members of the committee?

Mr. Speaker: Just to put it in perspective, Mr. Mancini—you mentioned that you were disturbed about the increase you referred to earlier. The supplementary estimate we will be bringing in will reflect a 42 per cent increase for certain people who come within the Office of the Assembly, and those are the—

Mr. Mancini: There's more than one category?

Mr. Speaker: Well, the constituency office secretaries. The effect of the increase that's been granted by the Board of Internal Economy is that they go from \$12,508 to \$17,856, which is about a 42.5 per cent increase.

Mr. Mancini: It's at the discretion of the member whether they get that or not, Mr. Speaker.

Mr. Speaker: Those are the upper limits. Yes.

Mr. Mancini: That's right. There's a big difference between "You may get it" and "You do."

Mr. Chairman: No further questions? Shall item 3 carry?

Item 3 agreed to.

Mr. Chairman: I have been approached by Mr. Wishart to take a look at his vote item. I believe he has another pressing engagement. So with the concurrence of the committee, we'll take a look now at item 11.

Do you have any comments in regard to this item Mr. Wishart?

On item 11, commission on election contributions and expenses:

Mr. Wishart: I have no particular comments, Mr. Chairman, gentlemen and lady. Our estimates are much in line with previous years—somewhat lower. I think there are no extraordinary or specific items that call for comment. If members of the committee will ask questions I'll be glad to answer them.

Mr. Martel: I am not so much concerned about the estimates. I am just wondering if you are having any success with the government, Mr. Wishart, with respect to some of the amendments you have proposed. Have they indicated to you that they are prepared to introduce some of those before the next election?

Mr. Wishart: Mr. Martel, we have proposed amendments, through the commission estimates, each year. The first amendment we proposed, shortly after the commission was established in 1975, was an amendment to section 15, which was very necessary to close a gap which had been left in the legislation.

We have proposed a number of amendments each year since. They have all been reported in each annual report, and we have immediately submitted them to the government, and I think to the leaders of all parties. Of course, the members of the commission who represent the parties in the House are aware of them, but none of them has been proposed in legislation as yet. And we have another one or two that are aborning.

We can administer the act quite efficiently without the adoption of these amendments, but they would improve the administration considerably.

I should make it clear to the members of the committee that we have stayed away

from matters of policy, which we feel is for the Legislature to decide. We have kept out of that field.

I might say that we are considering an amendment now. I think about eight or 10 parties have applied to be registered as political parties. They don't come in with a petition; they come in saying, "We wish to form a party under this name," and, in a sense, they ask the commission to approve the name, then they go out and get the 10,000 names.

The act says we can deal with an application which is a petition, but about eight or nine of these have never come back with a petition. They are on our books as named parties—they are not registered parties—and we hope to propose an amendment that will put a time limit on the period of time these people can occupy the field. Some of them have been there for three or four years. We don't know whether they will ever succeed in getting a petition signed. We think there should be some time limit.

That is a rather minor thing, and we could continue to operate, as I say, without that amendment, but it would clean up a situation if it were adopted.

I would like to see the amendments go forward in the House, but that's not for the chairman of the commission to say, except to say that it would be helpful. It is a matter of government policy to decide when to change the legislation.

Mr. Chairman: Are there any further questions by members of the committee?

Mr. Mancini: Yes, I have a question for Mr. Wishart concerning the members' indemnity.

Since Mr. Wishart is the chairman of the commission, I would like to know if he had an opportunity to read the minority report that was tabled with the commission by one of its members; and if he responded either by letter, memorandum or with a report of his own to that member's report.

Mr. Wishart: Yes, Mr. Mancini. The minority report was submitted by Mrs. Sullivan, a member of the commission, prior to the adoption of the committee's own report which was before the members. I read it very carefully.

I did a good deal of research on the background of the dealings which had taken place with respect to remuneration of members and I then wrote Mrs. Sullivan at very considerable length, after just speaking to her on the telephone, and told her I would present her report to the Legislature along with the committee's own report. At that

point, neither one had been before the commission for adoption.

A copy of that letter and a copy of her report went forth to all members of the commission prior to our session dealing with the report.

She informed me, at the time, that she would not be able to attend the commission meeting. Mr. Harold Young, another member of the commission—he and Mrs. Sullivan are both nominees of the same party leader—was chairman of the committee. He was also absent.

The commission felt there was some urgency in getting the report dealt with. It had been very thoroughly discussed and well examined, so the committee's report was adopted. Mrs. Sullivan's report was fully discussed and both reports were sent forward to Mr. Speaker with, I think, extra copies to be laid before the Legislature.

Mrs. Sullivan did inform me, during our discussion, that while she had proposed an increase which ranged somewhere in the 40 per cent area—

Mr. Mancini: I think we call that reclassification here, Mr. Wishart.

Mr. Wishart: Very good; I'd adopt that.

She informed me that she perhaps would be quite satisfied if the increase which was in her report were to be considerably less, but she felt that the committee of the commission was not going far enough. However, the commission unanimously adopted the report of the committee, noting that Mrs. Sullivan and Mr. Young were not present, that Mr. Young was out of the country, I think.

But we had a very thorough discussion and, in reviewing it, noted the increases which had been given to members over the past six years. They got three in all, apart from the—

Mr. Mancini: It was noted that there was a freeze on the salaries for a period of time?

Mr. Wishart: There was a freeze on salaries for some five years, yes.

Mr. Mancini: And that was noted,

Mr. Wishart: Then three increases came before the commission, I believe.

Mr. Mancini: Was it noted what the cost of living was in those particular five years?

11:20 a.m.

Mr. Wishart: Yes, I think that was mentioned in the report. It was admitted that that report didn't elevate remuneration to perhaps full entitlement. But under the act we were required to review salaries once

annually, and to report to the Speaker. The next report is presently under consideration.

Mr. Mancini: That leads me to three other questions, with the permission of the chairman. I would like to know if you have minutes of your meeting, Mr. Wishart.

Mr. Wishart: We certainly do. We have very complete, very full minutes. They are all on record. We don't make our minutes open to the public, as it were, but they are sent out, as soon as they are adopted, to the leaders of all parties and to the officials of party organizations.

Mr. Mancini: So what you are saying is Dr. Smith will have a copy of them.

Mr. Wishart: They really become public in the fullest sense. Any of those persons could make them entirely public. We don't restrict them in that way. I just want to make it clear that we don't invite the public into the office to read our minutes.

Mr. Mancini: Yes, certainly.

Mr. Wishart: They are sent out, so they could become public to the fullest degree.

Mr. Mancini: Is there any reason for not sending them out to all the members—or, say, if a particular member requested your minutes, would he be able to obtain them from your office?

Mr. Wishart: The members of the commission get them—

Mr. Mancini: I mean the members of the Legislature.

Mr. Wishart: No, we have never sent them to the members of the Legislature. I don't think we have ever considered that question or that we have ever been requested to do so.

Mr. Mancini: If you were requested by a member to have the minutes sent to his office—

Mr. Wishart: Requested? I would take it, as I take practically every request, to my commission and say, "What is your view?"

Mr. Mancini: Frankly speaking, I would like to see the minutes of the commission dealing with the members' indemnity. I would also request from your office a copy of your letter in reply to Mrs. Sullivan's minority report and, further, a copy of the information that your office compiled before making the final decision on the members' indemnity. I think that once I had all of those items I could put the whole thing in perspective and maybe come to a realization of why you made the decision that you did.

Mr. Wishart: It wasn't my decision.

Mr. Mancini: When I say "you," sir, I mean the commission. I certainly wouldn't want to single you out.

Mr. Wishart: It was the decision of the commission. Mrs. Sullivan, of course, has the letter I wrote to her. She is at liberty—I don't think I put any restriction on her exhibiting it to anyone. I would have no objection, myself, in making the reply public to you or to any member. I would like to make sure that she has none. It is her letter.

Mr. Mancini: Certainly.

Mr. Wishart: As to the total request, I would like to take it to the members of my commission for their decision.

Mr. Mancini: All right. As a member of the general government committee, I would like you to make those three requests to the commission.

Mr. Wishart: I don't want to give the impression that I'm reluctant to reveal anything, because our work is most open. The act says that anything that is filed with us is a public document and available. We have always adhered to that. Certain things in correspondence might be—as you can understand—not for public consumption generally.

Mr. Mancini: Sure, I understand.

Mr. Wishart: But I have no objection whatever to meeting that request. I would like to have the commission approve of it.

Mr. Mancini: I would like to make those three requests, those items that I pointed out—the minutes, the letter to Mrs. Sullivan and a compilation of the information that the commission obtained before making their final decision—the information they used to make that decision.

Mr. Wishart: Just let me say this: The committee was chaired by Mr. Young, a member of which was Mr. Scandland and Mr. R. Lewis, as chief electoral officer, was the third member of the committee.

Mr. Mancini: He was a member of the subcommittee.

Mr. Wishart: I sat in on their meetings as ex-officio chairman, and I do not think I missed many of their meetings. We met the House leaders and members of the various caucuses.

You asked for the material which we considered in arriving at the basis for the report. That is quite a task because we had several meetings. I think most of that material is now in statistical form showing basic salaries, increases over the years, and so on. We could get it together, but it is a little bit of a job.

Mr. Mancini: I will certainly wait. I do want it tomorrow, Mr. Wishart.

Mr. Wishart: The committee did not act without a good deal of research, a good deal of time, a good deal of study and a good deal of consultation. It will take a little time to draw that material together.

Mr. Mancini: Certainly. Thank you.

Mr. Wishart: Mr. Martel and Mr. Nixon know that we met with them on more than one occasion and discussed these things at great length. We will try to get them together.

Hon. Mr. Gregory: Mr. Wishart, I would like to ask you a question, but I do not want to seem provocative or self-serving. Back, I believe, in late 1978 or early 1979—I do not remember which—after certain increases had been put into effect, you were requested by the Legislative Assembly to review certain salary differentials. At that point, you did interview the people concerned. I remember your being in my office with several members of your committee, and I believe this gentleman was with you as well.

The specific case in point, the one I am talking about, was the differential between parliamentary assistants to ministers and the chief government whip. The House leaders and, I believe, the House itself had agreed that there should be some readjustments. Do you recall that?

Mr. Wishart: Yes.

Hon. Mr. Gregory: At that point, after having done some interviews, you came forward with a recommendation to increase the chief government whip's salary by \$1,000 vis-à-vis the parliamentary assistants' salaries. That was sort of fouled up because in the meantime the parliamentary assistants had received a normal increase anyway. It ended up that there was a net difference of about \$600 or \$700, something like that.

In your recent recommendations, on which we were all asked to comment, suddenly that differential disappeared. Suddenly there was no difference between a parliamentary assistant and the chief government whip. It was suggested to you—and, of course, I have since taken this to the House leaders for discussion, and we were shot down on it, naturally—that the differential should be maintained, and I think you came through with a recommendation of a \$500 increase.

I get the impression, sir—and I do not want this to sound provocative though it must sound self-serving, and I do not mean it that way—the recommendation suggested that the job of whip, all whips, had changed

considerably since the minority government situation. I am just wondering if your decision was made, taking into consideration that change. Naturally, you would not have the advantage of having served in a minority situation.

Mr. Wishart: It referred to House leaders first of all. The House leader of the government party is a minister and we did not deal with him as House leader in any review of salary.

In the present House there are two parties in the opposition, and we felt that the responsibilities of their House leaders were, in a sense, equal. Their duties in dealing with matters in the House, as leaders in the House of their parties, involved quite a responsibility: informing members, dealing with legislation, and so on. We felt that they were justified in receiving a substantial increase pretty much on an equal basis. That did not involve the government House leader. He was not touched at all as House leader, because he is a minister.

11:30 a.m.

In regard to the latter part of your suggestion, I do not know that I can say at this moment that the committee gave specific consideration to that in its last report, but it has been brought to our attention and I am sure we will deal with it again.

Hon. Mr. Gregory: Let me put it another way, because I do not think you quite gave me an answer to my question. For your original report, your commission was asked to examine differences in responsibilities pertaining to the current situation, and that was back in 1978 or early 1979.

Mr. Wishart: The legislation which gave us the authority was passed in the fall of 1978 and we were required to report annually. I am quite certain the amendment that gave us the authority became effective on April 1, 1979. We made our first report very, very shortly after April 1, having done a lot of work in the meantime leading up to it.

Hon. Mr. Gregory: Yes, I am aware of the work. As I say, I was visited, as were many other people.

The point I am making—and it was the best way to compare it, in my opinion—is that you recommended that there should be a differential of \$1,000 between parliamentary assistants' salaries and the chief government whip's salary.

Mr. Wishart: Yes.

Hon. Mr. Gregory: Okay. Suddenly, in your last report, in your recommendations, you found the need for that differential no

longer existed. In other words, I have to assume that you thought the parliamentary assistants' duties had become so onerous that they were now on a par with the whip's. Your initial recommendation was no increase for the whips, and approximately \$1,000 for the parliamentary assistants bringing the whips to a par with the parliamentary assistants.

I believe your recommendations were circulated and some comments went back to you, which I had something to do with, recommending that the salaries of the whips of all parties be increased on a proportionate basis, starting off with the premise that there was a difference between the duties of the chief government whip and those of a parliamentary assistant. You did not accept our suggestions, and came back saying, "No, we now feel the differential should no longer be \$1,000; it should now be \$500." We gratefully accepted that. We said: "Thank you. We think you are wrong, but we accept it."

I am just wondering on what basis or on what criteria, after your earlier study of responsibilities which was fairly extensive, you suddenly found in your last recommendation that the differential had disappeared, or should disappear.

Mr. Wishart: I hope to give you perhaps a more satisfactory answer than I can at this moment. I cannot say that the committee in its second report—or, really, the third report; the second one recommended a nil increase—I cannot say that we directed our minds to a comparison between House leaders and whips. I think, having established a base in the first report, the committee simply carried forward a certain increase for the whips.

Hon. Mr. Gregory: I am sorry, but it did not do that. You set the criteria with your original study. In your recommendation for increases this year, you totally wiped out that study; in other words, your initial recommendation this year was no increase for the whips.

Mr. Wishart: I shall have to look at the report.

Hon. Mr. Gregory: I can get it for you if you want.

Mr. Wishart: I shall do that. I cannot recall that we gave that specific consideration in the second report.

Item 11 agreed to.

On item 4, Hansard:

Mr. Chairman: Mr. Brannan, I do not know if you have any preliminary remarks

for us, or if committee members have any questions right away.

Mr. Brannan: Mr. Chairman, perhaps I should explain that there is a substantial increase in the Hansard budget for this fiscal year. It is due principally to the fact that we have created a new committee reporting branch which is situated in the Whitney Block, and, in addition to the continuing salary increases to man that branch, there were certain setup costs which caused quite a big bubble in the budget for this year.

In addition, we have been developing a word processing system to enable us eventually to move into phototypesetting, photo-composition and offset press reproduction, which we hope will eventually help to reduce our overall printing costs; so that is something of an investment.

The creation of the new branch plus the experiments we are undertaking at the moment have increased our budget substantially this year.

Mr. Bounsall: What proportion of the increase for this year is for salaries for the expanded staff to cover the committees?

Mr. Brannan: The increase in complement, in salaries and benefits, has increased the budget by something like \$263,000.

Mr. Bounsall: All of that increase then—no, not quite. The increase is over \$400,000, but that salary and benefits portion took \$263,000 of it.

Mr. Brannan: That is right.

Mr. Bounsall: Was this basically for committee coverage?

Mr. Brannan: Basically. We have had to increase our staff to meet increasing demands for service, and up to this point we have been accommodating the maximum we possibly could in the Legislative Building. In order to bring in more staff, we had to get space over in the Whitney Block. This has enabled us to increase our permanent staff rather than rely on a rather large number of temporary help staff, as we have done in recent years.

Mr. Bounsall: The salary amount for that temporary help would have been included in other years' estimates as well, would it not?

Mr. Brannan: That is right.

Mr. Bounsall: We are talking about an addition then. Again, let me ask a question: Is most of that addition to service committees?

Mr. Brannan: We reduced the temporary help budget by about \$35,000, I think, so we have anticipated a reduction in tem-

porary staff costs this year. Of course, there is certainly a substantial cost increase in the other area.

I should say that we have been asked to do a substantially greater amount of committee work in the last year or so since the change in the standing orders.

Mr. Bounsall: Again, let me ask the question I have asked twice: Is that increase in staff which is reflected in the salaries and benefits due primarily to the changes in the standing orders relating to the coverage of committees?

Mr. Brannan: Yes.

Mr. Bounsall: Are they underemployed?

Mr. Brannan: No.

Mr. Bounsall: When did the bulk of this staff come on?

Mr. Brannan: We hired about two transcribers towards the end of last year, we have hired about three more since the beginning of this year, and we have hired three editors since the beginning of this year. We still have not hired all of the people we are entitled to hire under the new complement we have received.

There is a reduction in the budget this year—I think it is something like \$50,000—to take cognizance of the fact that we will not have all this staff for all this year, but we certainly took on the bulk of it since last October.

11:40 a.m.

Mr. Bounsall: Mr. Chairman, I do not quite know how to lead into my next comment or question here, but I had a count taken for me of the tapes generated this year up to the week of June 2, and there were 8,509 as opposed to 10,544 for that same period a year ago. Of that 10,544 a year ago, 384 were contracted out and this year 35 were contracted out, but that still shows a net decrease in tapes generated this year. We have a net decrease in tapes generated, but a rather substantial increase in staff to transcribe those tapes.

How does one explain that difference, that fewer tapes are being generated but there is a rather hefty increase in staff to deal with those tapes?

Mr. Brannan: Of course, the year is not over yet and the tape generation fluctuates from year to year. Sometimes we have a heavy spring session; sometimes we have a heavy fall session. We never really know what to expect.

In past years the staff was probably rather too heavily utilized. We had some staff prob-

lems, and I suppose we were working our staff a little too hard.

Furthermore, the changeover to cold type means that we are going to have to do a greater proportion of our quality control in-house. We will not be able to be dependent, to the extent that we were in the past, on our commercial printer. We have introduced an additional reading phase or editing phase to the Hansard structure in order to try to improve the product.

We have increased supervision, we have increased training and overall we are aiming to produce a better Hansard. I think that is part of the explanation for the apparent slackening in actual work load.

Mr. Speaker: If I might interject here, Mr. Chairman, I can attest to the fact that, although it is not happening as regularly now as it did, say, a year ago or 18 months ago, there were times when members of committees had to wait two, three, sometimes four weeks for transcripts of committee sittings that were given a lower priority in the overall scheme of things. I know Mr. Brannan was being pressured and I was being pressured for quicker processing of those.

At one time, as I say, members were prepared to wait two, three, sometimes four, weeks for a transcript. But recently they have been more impatient and there was a lot of pressure on Mr. Brannan and on the Speaker's office to get those things through the mill so they would be relevant and available when they were needed.

We did have an increase in personnel from 40 to 58, which is the projected need for this fiscal year. A lot of them, as Mr. Brannan explained, have not yet come on stream, but that is the anticipated need based on the pressures placed on Hansard to prepare those transcripts within a reasonable length of time after the committee sits. While there may not be a proportionate increase in the number of tapes, as reflected in your research, I can assure you that there is pressure on Hansard from members of the assembly who attend those committee meetings, because they want those transcripts within a reasonable length of time. That is part of the pressure.

Mr. Bounsall: What we have though, clearly, is an average since the year started of 300 fewer tapes per month. What you are saying is that the explanation for that, if I hear you correctly, is that the Hansard staff was terribly overworked the year before and that you can now turn out the committee tapes faster. That is the total explanation for the increase in staff with, to date, an aver-

age of 300 fewer tapes per month to transcribe.

Mr. Brannan: Yes. "Total explanation" is a good phrase. There are so many segments, so many factors in there, some that I mentioned and one or two now that Mr. Speaker has mentioned. Estimates did not start particularly early this year and we will have to complete them all before the year ends, no doubt.

The fact that we have been experimenting with word processing has slowed the editors down considerably. Even though you may think we have a large staff now, I am afraid that the editors had to bring in a couple of temporary help people in the last couple of weeks to cope with the work load. The training period may take 12 months. It may take editors who have been editing on paper with pens for 15 or 20 years some 12 or 18 months to become thoroughly facile at editing on a terminal.

It has slowed us down, I must admit, but at the same time as we have embarked on that program, we have improved our delivery of transcripts.

Mr. Bounsall: What is your aim in terms of turning out the rough Hansard for committee?

Mr. Brannan: We would like to produce transcripts within four days.

Mr. Bounsall: Are you meeting that?

Mr. Brannan: In most cases, I believe we are.

Mr. Bounsall: Anyone on a committee could expect the rough Hansard within four days

Mr. Brannan: That's true.

Mr. Bounsall: Would it have to be a very unusual set of circumstances for it to be longer than four days?

Mr. Brannan: If we get priority requests from other committees, and sometimes we do, one that is not in great demand may get pushed back in the queue a little bit. Generally speaking, our aim is to make it 96 hours for everything.

Mr. Bounsall: You mentioned the word processing system. I understand that this system was brought in primarily so that you will be able to do your own printing eventually. It will cut out the majority of the printing costs. Is this correct?

Mr. Brannan: No, not really.

Mr. Bounsall: Wasn't that the main reason for it's coming in?

Mr. Brannan: It was the main reason, but we will not be doing our own printing. In

effect, we will be doing our own inputting to the photocomposition stage. In other words, the transcribers will almost be setting the type, you might say. They will be providing the means for computer or cold type setting. The editors will also be assisting in that because they will be revising the work of the transcribers. When the printed word goes to the printer under the new system, it should be word- or letter-perfect. That, of course, is a reason for the increased quality control.

Mr. Bounsall: When that occurs, are you saying you will be able to cut down what are now classified as printing costs?

Mr. Brannan: We certainly should be able to. That is the promise, Mr. Chairman. Whether we will achieve it remains to be seen, but certainly that is the expectation.

We don't have much choice about it, actually, because the system we are using now is becoming obsolete. You can't find linotype operators or parts for linotype machines very easily any more, so the system we are using now is due to be phased out. We have no alternative but to go the new route.

Mr. Bounsall: Because you can't find printers?

Mr. Brannan: The commercial printers who are using that system are getting out of that business.

Mr. Bounsall: Okay, but, as I recall, this was one of the things that was supposed to save money and now you are casting doubt on it.

Mr. Brannan: The people who sold us the system assured us it would save a great deal of money. We are a little sceptical about it, but we would like to find out that it is true. Theoretically, when we do the inputting to the typesetting phase we should save a substantial amount of money. We should save 10 per cent of the printing budget, at the very least.

Mr. Speaker: If I could just interject here, Mr. Bounsall, I was asking the same kinds of questions you are asking about the word processing systems we have throughout the building. There is one in the Clerk's office, there is one in Hansard and there is one in the library. We had a company, QL Systems Limited from Kingston, come in at its own expense to take a look at the various systems being employed in the building.

We have meetings from time to time of the section heads to see if there are better ways of doing things. They include Mr. Fleming, Mr. Miggiani, Mr. Wilson, Mr. Land and Mr. Brannan. I would like Mr. Fleming to bring you up to date on what QL Systems,

based on its experience found about the way in which we do things around here.

11:50 a.m.

Mr. Fleming: In the Hansard situation, they examined the equipment being used there, namely that produced by the firms Wang Laboratories (Canada) Limited and Micom Computer Systems Limited, and concluded that, in fact, Hansard was on the right track, and that it could not be any better served by any other hardware suppliers. There seemed to be some confusion as to whether in the end the Wang group would win out or the Micom group, but it appears that the Wang group, which has a central computer, is doing a reasonably good job for good value. I imagine that is the trend and we will get out of the Micom system.

In the case of the library, there was a feeling that in connection with the government cataloguing which is a very highly specialized area, they should probably consult computer consultants who specialized in that type of thing.

There was an examination of the IBM System 34 which is presently installed in the finance office. In their opinion, we are being extremely well served by that system. They felt it should continue to be developed.

They also looked at the Clerk's office. In their opinion there was quite a lot of room for development. They would like to see the status of bills, Speaker's rulings votes and proceedings and things of that nature, possibly put into a data bank. They have come up with a proposal to examine that area to see whether some kind of a system can be installed. They felt that the word processing system which had been put by Xerox Canada Incorporated into the Clerk's office and the library is being reasonably used and is proper under the circumstances.

One area of concern, the Speaker reminds me is that the office of the legislative counsel is, of course, an ideal area for computerization. It is the policy of the government that there should be access by the public to the statutes. This company, QL Systems Limited of Kingston, has gone ahead and put together a data base, based on the former statutes. It is now trying to see whether this can be made available.

The only problem is that the legislative counsel is hooked into a computer in the Ministry of Government Services. Now, rather than having a person type up the bills and so on, they are put into a terminal. They go to Government Services and they come out in printed form. Unfortunately, there is no

way they can be tied into a system for public access, so they have to find some way of moving that information.

QL Systems, by the way, is the largest legislative computer services agency in North America. It handles a lot of the United States state legislatures, as well as the House of Commons in Ottawa, the provinces of Alberta and British Columbia and some other people.

But there definitely is a problem in trying to convert this information which the government now has in its computer over to the QL System computer.

It is my own personal opinion, and I think the Speaker would support this, that we still have difficulty ensuring that all the offices in the assembly are making maximum use of funds in connection with computerization, but I think we are making fairly substantial headway.

Mr. Speaker: Of course, we also have a computer terminal down in the administrative offices and we asked them to look at that too. You might just refer briefly to that.

Mr. Fleming: That is the IBM System 34 to which I referred. They are happy with it.

There is one area where they would like to see some changes made. We have a problem in that we are now receiving very large numbers of applications for jobs here. Most of our competitions draw as many as 200 to 400 people and there definitely has to be some way of keeping track of all these people and ensuring that we can approach them in the future if positions open. The suggestion has been made, particularly in reference to the personnel office which, in my opinion and, I think, in the consultants' opinion, is undermanned, that a computer facility should be put in so that we have data on all the people who have applied for jobs and can keep track of them.

By the way, we are also coming up with a plan so that every member could be provided with instant information on the benefits that he would have at any given time. We want to do far more to give you information regarding the various allowances that you have and how much you have left in your allowance bank—that type of information.

Mr. Speaker: We are not just allowing everybody to go in every which way, without regard to what is being done in other offices that come under the jurisdiction of the Office of the Assembly.

So we are asking those questions—I just wanted to elaborate a little more on what Mr. Brannan was saying—we are looking for

better ways of providing service to members and support staff and getting the biggest bang for our buck. We are not just allowing everybody to go in every which way. That is just part of the problem that Mr. Brannan is experiencing.

Mr. Bounsall: If I could just digress for a minute: Of what service is it to you, Mr. Speaker, to have word processing? How do you use it and what sort of service does it give to you?

Mr. Speaker: I don't have one. The Office of the Clerk has one.

Mr. Bounsall: I thought you said the Office of the Speaker has one.

Mr. Speaker: No. I don't have one. But, for the reasons mentioned by Mr. Fleming, it probably makes some sense to have some kind of a capability within the office of the director of personnel.

Obviously the kind of information that was given to Mr. Brannan when he accepted that system, and the kind of assurances that were given to him if he had such a system—that it would result in a 10 per cent saving and more efficiency—that has not worked out. Now, it may if they stick with it; as they become more competent, it may prove to be an advantage. At the present time it has not, and it has slowed down the process. Those are chances you take when you try to improve things, based on the best information that you can get.

In the electronics business there is a new system coming out every week. Type B is supposed to be so much better than type A, but when you actually install it, you find out that is just not the case.

We are looking at it and will continue to do so, to get the best way of getting information out, and to cut down on the duplication of effort in making the best use of the resources that we have.

Mr. Bounsall: The question that then comes to my mind, with all these different systems and the factors that need to be considered, is there one person in the office or in this building who is supervising or overseeing these purchases and these comparisons?

Mr. Speaker: Not any one person, but if there is such a person, it is Mr. Fleming. He does have considerable competence in that field.

Mr. Fleming: At this point it really would be a combination of the Speaker and myself and the committee consisting of Mr. Brannan, Mr. Land, Mr. Wilson and Mr. Miggin. I can assure you that people can't just go

out and buy systems and install them without approval.

All of these things have been placed at various points before the Board of Internal Economy, and this will continue.

Mr. Bounsall: Do I understand from what was mentioned that Hansard has two word processing systems?

Mr. Fleming: Yes. We started off initially with the system called Micom, which you have probably seen advertised in the media. It has moved from \$2 or \$3 million four or five years ago to \$200 or \$300 million today. Frankly, they simply could not come through with the type of servicing they said they could. They did not understand our particular needs. We feel now that we would be better off to rely on the Wang system.

Mr. Mancini: Do you think the Wang does it better?

Mr. Fleming: Yes, I do. That's not a commercial.

Mr. Bounsall: Have you come to the conclusion, or at least the feeling if not a conclusion, that we should drop the Micom?

Mr. Fleming: I believe Mr. Brannan has taken steps to terminate them. Isn't that true?

Mr. Brannan: Mr. Chairman, could I just speak to that? I would like to explain that we have not bought anything. We are renting these terminals. What we are looking at between Micom and Wang are two different philosophies.

12 noon.

The Micom system is a stand-alone, intelligent terminal system which gives each operator a complete mini-computer, if you like. We went that route because we thought it would help Hansard avoid any general breakdowns. The feeling was good; we did not want to suffer the risk of an overall breakdown in Hansard.

Unfortunately, part of the mechanism of that stand-alone terminal is a floppy disc, which then has to be transported around from pillar to post—from A to B, from transcriber to editor, from editor to second editor, and second editor to final editing. The traffic in the discs was defeating the object. We were having more breakdowns because of damage to the discs than we were avoiding by having stand-alone systems.

The Wang philosophy is to have a central processing unit, which is really just a mini-computer. You can have up to 14 terminals feeding into that central processor. That has been much better for us. The information which is being typed by the transcribers is

immediately available to editors at any of the other positions at the touch of a few keys. So the system is much more flexible.

We will then have to take care of the back-up question. We will not have any problem there, we don't think, because we will have at least two of these mini-computers, since we have more than 14 positions in our office. We are assured that the two computers can be tied in together so that one will back up the other. That is the philosophy that has sold the people in my department. They are really enthusiastic about it.

There is only one slight complication arising—Wang Laboratories Limited is an American company. AES Data Limited, which is a Canadian company, has a comparable kind of system.

When we first looked at AES Data, it was a stand-alone system like Micom. But since then they have developed a central system like Wang. Before we finally decide on what we buy—when we get to the point where we should actually purchase something—we are going to have to take a very long look at the Canadian suppliers available in that field. What we will probably do, when we are assured that each one of perhaps two or three suppliers can do the same job for us, is to have them tender. Of course, if the Canadian bid is not very much higher than the American bid, I believe the purchasing philosophy is that we should buy the Canadian system.

Mr. Bounsall: So the consideration at the moment is between AES, you say, and Wang?

Mr. Brannan: It is a bit premature. We have not had an AES terminal in our office. We avoided it for the reasons I have just given; that it was the same philosophy as Micom but it was much more expensive than Micom. So we chose Micom. Now AES have changed their philosophy and they are lined up with the Wang approach to the question. Now AES are in direct competition with Wang.

We now obviously have to take a last minute look at AES before we make a final decision. We would like to try to make a decision this fall. We have not yet had an opportunity of finding out whether it is going to save us any printing money or not. That won't come until next year, because we are locked into a printing contract.

Mr. Bounsall: Who is the printer?

Mr. Brannan: Carswell.

When we tender the next printing contract we are going to tender it on a two-pronged basis, so that we can change systems

mid-contract and save any benefits that might be offered by the new route.

We have had to stay flexible through this whole process. It is changing almost as rapidly as we are trying to move over.

Mr. Bounsall: From what I gather, though, Micom, without any change of philosophy or any change of program, is out of it.

Mr. Brannan: Yes.

Mr. Bounsall: Are you getting out of Micom as soon as possible then? I mean, next month can you get rid of your—if you are not purchasing it, I assume you are renting it.

Mr. Brannan: We are renting.

Mr. Bounsall: Are you dropping the Micom next month then, now that it is clearly not serving your purpose?

Mr. Brannan: We could not drop it next month because we need the terminals to produce Hansard. At our present stage any terminal is valuable to us because it is giving us transcribing experience and it is giving us editing experience.

When we make the transition, which will probably be next spring, that is when we will phase out the Micom and phase in whatever system we choose.

We are on a monthly contract basis with both companies, but there is a minimum one-year contract period. Those minimum one-year contract periods will be just about up by the time we come to make our final decision.

Mr. G. E. Smith: I think my question was answered in the discussion, but I thought I heard you mention in your initial comments something about an offset press. Hansard is not considering doing the printing itself, is it?

Mr. Brannan: No, not at this point anyway. We are considering getting into the preliminary typesetting phase.

Mr. G. E. Smith: Having some knowledge of the printing business myself, it would be evident that if the typesetting is done here, there would be some saving in printing cost.

Let me ask one question under your costs. The printing of Hansard and any printing of the orders, proceedings and so on, does that fall under the last item, supplies and equipment—or where does that show up in the actual estimates?

Mr. Brannan: The printing of Hansard shows under supplies and equipment. We do not print the votes or the orders or anything else; that comes under the Clerk's office. The printing of Hansard item is \$550,000.

Hon. Mr. Gregory: In the matter of the great garbage track caper of some time ago: Has that system been totally changed now?

Mr. Brannan: Yes, it has. We have shut down the additional interjection tracks that we had and are relying purely upon the shorthand writers on the floor of the House for interjections.

Hon. Mr. Gregory: That was the second reason for us wanting it back, of course; so we would still have the girls on the floor. When you put in that system initially, was additional staff hired for that?

Mr. Brannan: No, it was an electronic addition. When we installed the new sound system, that is the way it was done. We had hoped that eventually it would enable us to reduce staff, but we have now returned to the original situation.

Hon. Mr. Gregory: So there is no second track at all. You just have the one track and any interjections would have to be picked up by the speaker's microphone?

Mr. Brannan: There are two tracks in use. There is one track for the main program, which is the microphone being used by the member speaking, and the second track is for the operator. As you can see, our operator here has a small mike. That second track is used to provide the identity of the speakers as they rise to speak.

Hon. Mr. Gregory: I see. But it does not pick up any conversation?

Mr. Brannan: It picks up, surprisingly enough; if somebody shouts loud enough on the floor you can hear it through his microphone, but normally speaking we hear it much better through any of the other microphones that are open because of the debate in process.

Hon. Mr. Gregory: It would not pick up any conversations other than those shouted? If somebody was shouting something it might pick them up.

Mr. Brannan: That's right.

Hon. Mr. Gregory: I think originally, when we got into that matter you had stated that it did not pick up conversations. I think you found then that it did—the original system.

Mr. Brannan: The original system was designed to pick up loud interjections. I would like to go into some detail, if I might, and explain what happened there. The system was designed so that every microphone was on at a very low gain or low volume. All you could hear over that normally was a general buzz or hum. If the debate

got lively, then you could hear shouted remarks over that track; and this is what the transcribers used it for. When things got lively and they wanted to pick up an interjection, they would go to that track. Even then it was really quite difficult sometimes to pick out what was said, but it was certainly a help to them.

The only time that a private conversation might have been picked up by those microphones was if you had a very quiet period in the House with a member making a continuous speech, and some other members gathered around the microphone having a bit of a conference, which often happened. The thing is, when that did happen, nobody bothered to listen to that interjection track because there was no need to switch to it. They were getting all they needed from the main program track. In all the years that I have been listening to tapes I had never heard a private conversation for that very reason.

When this controversy arose, certain individuals made it their business to listen very carefully to that track right through a whole period of debate and they discovered that indeed, yes, we were picking up private conversations, but I would like to emphasize that we were recording them, they were being erased and that was that. We were not eavesdropping in any way on those private conversations. Any time we turned to that track to pick up an interjection there was a great deal of noise on it; we were lucky if we picked up the interjection, let alone a private conversation. There was a lot of misunderstanding about that. It really did look as if we were trying to do something that we were not.

Hon. Mr. Gregory: I do not think there was a suggestion in anybody's mind that you were eavesdropping or that you were intending to pick up conversations that obviously were not for your ears. From my standpoint, I found it rather an intrusion on my privacy because of the fact that if I want to say something in the House for the record of the House I will stand and attempt to get the Speaker's attention and say it.

I know the incident you are talking about. There was a concentrated bit of detective work done to see if we could, by turning the thing up to high volume, find out exactly what was said. What the particular individual involved was saying, supposedly under his breath, I think frankly was his own business.

Perhaps the handling of that whole episode was rather unfortunate. Whatever the man

said that could be heard in the House, certainly was important. Anything that he says, or that anybody else says in the privacy of their desk, if you like, that they do not intend to be said in the House, is no one else's business. I am not referring to you, sir, I am referring to other members of the House.

Mr. Brannan: I could not agree more. As soon as we discovered that this was the case I recommended that these tracks be disconnected. In fact, they were disconnected forthwith and will remain disconnected.

Hon. Mr. Gregory: So we can now tell dirty jokes at our desk and nobody can hear them.

Mr. Speaker: That was all resolved in meetings of the members' services committee. As I recall, you took part in that dialogue and we took appropriate action as soon as we found out that it was technically possible to pick up an aside. We had them disconnected, and you are well aware of that.

Hon. Mr. Gregory: Yes, I am quite well aware of that. I am asking Mr. Brannan for the purpose of finding out if, in fact, it has all been done. I got my answer.

Item 4 agreed to.

Mr. Bounsall: Mr. Chairman, could I come in here on what is a point of order, I suppose? Are there any other large groups of staff waiting to be heard on any of the votes? I see the library has staff here, and I wonder if we may hear them first.

Mr. Chairman: That would probably be in order and worthwhile, if there is a large group, with committee concurrence.

On item 12, legislative library:

Mr. Land: Thank you, Mr. Chairman, and thank you, Mr. Bounsall. I have a few preliminary remarks that might be helpful by way of background for the estimates of the legislative library.

The 1980-81 estimates indicate a 46 per cent overall increase; 83 per cent of that is accountable to salaries and benefits.

The estimates for the library include proposed expenditures for four service units: the library itself, along with the director's office, has 66 per cent of the expenditure; the research service, which really got under way as a unit in September of 1979, accounts for 17 per cent of our budget; the press clipping service for which I became responsible on April 1, 1979, takes up 12 per cent of our budget; and a new unit, the checklist and catalogue service, which switched from the Ministry of Government Services to the legislative library on April 1

of this year, accounts for five per cent of the budget. The increase is related directly to the work load of the library and its constituent units.

I won't burden the committee with a lot of statistics, but I might point out that the number of books received increased by 50.5 per cent; the number of books and serials catalogued for the collection increased by over 46 per cent; circulation of books and government publications increased by over 28 per cent; interlibrary loans increased by 216 per cent; and the number of periodical articles supplied on request by photocopy increased by 29 per cent. Reference inquiries, which is a very important area for the library, increased by over 30 per cent.

The research unit which, as I mentioned, was a new unit that began as a group in September 1979, has dealt with 105 responses to requests, 70 of these were in written form and 35 were oral presentations.

The press clipping service has had another record year. The number of clippings distributed on request rose by over 47 per cent with the same number of staff. I can assure you that they are really to be commended. They have adopted new ways of doing more with the same number of staff. The number of clients for the research service has increased by nearly 20 per cent, so we now have 103. All of that, of course, is on demand. That is, one has to ask to get on the list.

Just by way of information, the checklist and catalogue service, which moved over from the Ministry of Government Services, in the 1979 calendar year, catalogued over 2,300 items. Its particular mandate is to catalogue and identify all Ontario government publications. It does this by way of a monthly checklist, a quarterly French checklist, and an annual catalogue.

Perhaps I could leave it to the committee to ask questions.

Mr. Bounsall: On the checklist: I gather the news was circulated to the full depository libraries by the Ministry of Government Services that they were going out of the checklist business; the libraries, therefore, expressed some concern about whether they were going to be cut off from receiving the checklist, as they had been in the past. I assume this is not taking place, that all the full depository libraries at least will continue receiving the monthly checklist.

Mr. Land: Yes.

Mr. Bounsall: There seems to be some confusion over this.

Mr. Land: The Office of the Assembly was approached in January of this year by the Ministry of Government Services, which was completing a reorganization of its printing and duplicating services branch, and decided to get along without the checklist service. It is a service we are totally dependent on ourselves as a library, as are hundreds of libraries in the province, as you know. If they had made the decision to drop it, it was suggested we would accept the transfer of the staff and undertake to maintain the checklist.

The agreement the board supported was that the library take on the four positions in the service, continue the compilation and editing of the copy, but that the Ministry of Government Services would be responsible for the printing and distribution to the various libraries in the province and outside the province. So there is a split responsibility.

12:20 p.m.

For our part, we have no intention of giving up the compilation of such a list. I have copies of letters written by the Minister of Government Services (Mr. Wiseman) to libraries that have raised this question, giving assurances that, in the foreseeable future, the ministry hopes to continue to publish the three lists with the same frequency. The one that was really open to question was the continuation of the annual catalogue, which is important because it allows researchers, librarians and so on, to identify and search out the whole year's package in one step. Otherwise it is necessary to look at 12 different monthly catalogues.

In summary, there is no thought on our part and, according to the letters the Minister of Government Services has been sending out to libraries, apparently no thought on their part, of discontinuing these catalogues.

Mr. Bounsall: Discontinuing neither the catalogues nor the mailouts? Let me ask you this. From what you have described, obviously it is not your responsibility to distribute it but do you know if there has been any interruption in the service?

Mr. Land: No, Mr. Chairman, there has been no interruption. In fact, I believe the April checklist went out within the last two weeks. And there has certainly been no interruption in the editing and compilation.

Mr. Speaker: You may wish to share with the committee the problem you are having with space.

Mr. Land: Yes, Mr. Chairman, Mr. Speaker. I suppose in one way it's easier to acquire bodies than it is to acquire square feet to put them in. The checklist and catalogue staff are residents of the building at 880 Bay Street, which is occupied by the Ministry of Government Services. In that connection, in trying to get the library staff together, we have requested that space be made available to the library, in the Whitney Block, for bringing together the checklist and catalogue staff, the press clipping staff, who are located at LuCliff Place, and possibly some overflow from our research service. Those of you who have seen the quarters on the fourth floor of the north wing will know that we, like many of you, are suffering from a lack of space.

Mr. Chairman: Are there any further questions?

Item 12 agreed to.

Mr. Chairman: Moving back to item 5. Mickey Hennessy is extremely interested in item 5.

Item 5 agreed to.

Item 6 agreed to.

Item 7, caucus support services:

Mr. Martel: Just for clarification—I'm not sure if it's item 7 or 8, caucus support services—I want to talk about the care packages for a moment. Although we had an agreement, I thought, at the last board meeting, I'm told the office has not agreed to continue the payments for those two until their time expires here, in addition to the three new staff we are bringing on. I thought there was agreement that we would carry that on until they terminated—and there was a minute to that effect.

Mr. Fleming: There is an agreement to that effect.

Mr. Martel: I'm told it's not being adhered to.

Mr. Fleming: I think you would have to ask Mr. Wilson.

Mr. Bounsall: Could I ask what the care package is?

Mr. Martel: Don't worry about the care package, Ted.

Mr. Speaker: That's Sudbury East lingo.

Mr. Nixon: Is there any problem with that? Everybody is saying "no problem."

Mr. Speaker: You can confirm that, Mr. Wilson?

Mr. Wilson: Mr. Chairman, I was speaking with Mr. Martel earlier and I was referring to another matter we had discussed—

Mr. Martel: This isn't the care package?

Mr. Wilson: No, is that the Sudbury lingo?

Mr. Nixon: It is an accommodation we have entered into in aid of Mr. Martel.

Item 7 agreed to.

Items 8 to 10 inclusive agreed to.

Mr. Chairman: We have covered those other items. Shall the whole vote carry?

Vote 1001 agreed to.

Mr. Chairman: We will adjourn the committee; at two o'clock we resume on the Windsor bill.

The committee adjourned at 12:27 p.m.

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 Gregory, Hon. M. E. C.; Minister without Portfolio (Mississauga East PC)
 Hennessy, M. (Fort William PC)
 Mancini, R. (Essex South L)
 Martel, E. W. (Sudbury East NDP)
 McGuigan, J. (Kent-Elgin L)
 Nixon, R. F. (Brant-Oxford-Norfolk L)
 Smith, G. E. (Simcoe East PC)
 Stokes, Hon. J. E.; Speaker (Lake Nipigon NDP)
 Watson, A. N. (Chatham-Kent PC)

From the Office of the Assembly:
 Brannan, P., Editor of Debates, Hansard Reporting Service
 Fleming, R. J., Director of Administration
 Land, R. B., Director, Legislative Library
 Lewis, R., Clerk of the House
 Miggiani, J. M., Finance Officer
 Wilson, W. S., Personnel Officer
 Wishart, A. A., Chairman, Commission on Election Contributions and Expenses



No. G-2

Legislature of Ontario Debates

Official Report (Hansard)

Standing Committee on General Government

Estimates, Office of the Provincial Auditor

Fourth Session, 31st Parliament

Wednesday, October 15, 1980

Speaker: Honourable John E. Stokes

Clerk: Roderick Lewis, QC

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STANDING COMMITTEE ON GENERAL GOVERNMENT

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Vice-Chairman: Hodgson, W. (York North PC)
Ashe, G. (Durham West PC)
Charlton, B. (Hamilton Mountain NDP)
Duksza, J. (Parkdale NDP)
Epp, H. (Waterloo North L)
Hennessy, M. (Fort William PC)
Leluk, N. G. (York West PC)
Mancini, R. (Essex South L)
McEwen, J. E. (Frontenac-Addington L)
McGuigan, J. (Kent-Elgin L)
Rotenberg, D. (Wilson Heights PC)
Samis, G. (Cornwall NDP)
Smith, G. E. (Simcoe East PC)

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LEGISLATURE OF ONTARIO

STANDING COMMITTEE ON GENERAL GOVERNMENT

WEDNESDAY, OCTOBER, 15, 1980

The committee met at 10:15 a.m. in room 228.

ESTIMATES, OFFICE OF THE PROVINCIAL AUDITOR

Mr. Chairman: I see a quorum. We have a substitution, Bud Germa for Jan Duktsta. We are going to be taking a look at the budget of the provincial auditor. If no one has any objection, we will ask Mr. Scott to make an opening statement and then we will ask committee members if they have any detailed questions.

Mr. Scott: Mr. Chairman, I appreciate the opportunity of appearing before your committee this morning to discuss the operations of my office. First of all, I would like to introduce to members the staff with me this morning. On my immediate left is Mr. Archer, the assistant provincial auditor. To his left is Mr. Gillis, our executive assistant in charge of administration.

I don't have a statement as such, because we provided the committee with a briefing booklet which pretty well outlines the detail of the basis upon which our estimates were based and submitted to the Board of Internal Economy. Rather than take up the time of your committee with any further statement, I will be open to questions from any members.

Mr. Chairman: Thank you, Mr. Scott. I believe Mr. Germa had a couple of inquiries.

Mr. Germa: This is not the highlight of the legislative season as denoted by the number of people watching the provincial auditor. I think probably it is because of the atmosphere the provincial auditor works in that most people don't understand exactly what he is supposed to do. I have been serving on the public accounts committee for several years now and have great respect for this office, and I think the provincial auditor in this particular person has done a very good job on the accounts of the province since he has been in office.

Of course, it is difficult to second guess the provincial auditor, and his allocation of

funds is not really great in the whole \$13 billion budget of Ontario, and probably that is why there is a whole bunch of people absent who probably should be here to have some recognition of at least one person who is trying to ensure that public moneys are spent in the public good. To this day I still cannot feature how the provincial auditor with his staff of approximately 90 people can police \$13 billion of revenues and expenditures and come to a determination at any given point that all of these moneys were indeed legally collected and wisely spent on behalf of the people of Ontario. But that is his responsibility and it is a severe responsibility that he takes.

As a member of the public accounts committee, I have worked closely with the auditor for several years and I think he does the best that can be done under a very difficult situation. The new Audit Act of 1977 put further responsibility on the provincial auditor's office in that it required that expenditures be assessed for value for money and a determination that the public of Ontario received value.

10:20 p.m.

I would like to question the auditor on his statement, which is something new to me—I am referring to page three of his briefing notes to the committee—that in order to educate the private sector in value for money auditing, a nonprofit corporation has been established which will involve the public sector and the private sector so that those auditors who are auditing public funds of boards, agencies and commissions will be using the same yardstick as the provincial auditor. I would ask the auditor to run through for us the nature of this nonprofit corporation, how it is funded, who makes the appointments, who controls it and what the government of Ontario's participation is in this corporation.

Mr. Scott: Mr. Chairman, if I may respond to Mr. Germa, the formation of the corporation took place through the office of the auditor general of Canada. It is based on the premise, and I am speaking now of

Ontario, that in excess of 70 per cent of our Ontario budget is in the form of transfer payments to other levels of government, organizations or individuals.

Under the new Audit Act of 1977, if we apply value for money auditing to the ministries and certain crown agencies of the government, we will be covering less than 30 per cent of the expenditures. Therefore, it is almost imperative that we have these other organizations such as municipalities, hospitals, universities, colleges and other nonprofit organizations audited to the same criteria that we will be applying to the ministries and crown agencies in Ontario. This also applies at the federal level and in other provinces throughout Canada.

The make-up of the corporation consists of the former auditor general of Canada acting as chairman of the board. He serves on the board with no remuneration. As a matter of fact, all board members serve with no remuneration.

The board consists of senior partners from the public accounting firms and representatives from the management consulting firms as well as four or five professors from various universities. There is one from York University, one from Carleton University and one from McGill University. The board meets, basically, about two or three times a year.

The purpose of the foundation is to research and develop standards for the auditing profession so that both public sector and private sector auditors dealing with organizations that are funded by governments will be audited to the same standard. On this basis we can then accept the certificate of the auditors from the private sector who are auditing hospitals, universities and colleges and therefore eliminate, hopefully, duplication of auditing and the waste of human resources and the additional cost that is involved. That, briefly, is the organization of the foundation.

All the information that has been assembled through Mr. MacDonnell's office in the form of research and development is being turned over to the foundation for review and, similarly, any material we have developed and any material that has been developed by any of the other provinces or by the private sector.

The funding of the organization consists of each province and the federal government contributing one per cent of its budget in the way of funds. This, as far as Ontario is concerned, represents the salary of one qualified accountant. The private sector firms must also contribute, depending upon the

number of professionals employed, to a maximum of \$20,000 for the large firms. That basically is the funding.

There is another aspect to this as well. For a number of years now Canada has been represented on the board of auditors of the United Nations. As of this year, Canada is relinquishing that role and setting up through the foundation—and this will be funded by the federal government—a scheme to bring senior auditors from developing countries to Canada to participate in value for money auditing and they will be seconded to the auditor general's office and also the various provincial offices, as well as to firms in the private sector. They will work in this country for a minimum of one year and then hopefully go back and introduce the same standards of auditing, responsibility and accountability in the developing countries.

That portion of the program is being funded entirely by the federal government through the Canadian Industrial Development Agency program. Mr. John Barton, who was a former Canadian ambassador to the UN, is on the board of governors of the foundation and is heading up this international program which will review and approve applicants. I believe the first applicant will arrive in this country on January 1, 1981. That is a very brief summary of the foundation.

Mr. Chairman: What is the total number of people on the board?

Mr. Scott: Perhaps 26 or 27.

Mr. Chairman: From your description, the board does not necessarily concentrate in regard to auditing in the province of Ontario; it is more a combined provincial-national look in terms of auditing across the country, more a sifting of ideas among auditors and accountants.

10:30 a.m.

Mr. Scott: That's right. It is a board or a foundation which will be doing the research and development. The research and development and the standards and guidelines coming out from the foundation will be made available to all members so that we have a uniform standard throughout the country.

Mr. Ashe: Would you briefly explain the function of the board in the context of further developing along the lines of auditing value for money spent? Where do you see that going beyond the traditional making sure the moneys balance, making sure they are appropriately raised and appropriately spent in a dollars and cents way? Does it

go beyond that in a conceptual way to offer opinions as to particular programs, whether they be in the public sector or the private sector? As I understand you, it does not really matter. Is that the next step or is that the step that was the change in this concept, other than just balancing the money and the assets and liabilities, et cetera?

Mr. Scott: Yes. The entire concept of the foundation will develop the value for money concept which will not only do the normal financial and attest function, which traditionally auditors have been doing for years, they will go beyond that and look at the management systems, the reporting, the EDP systems and reporting to Parliament or the organization in the accountability aspect. They will not be measuring the effectiveness of the program, but they will be looking at the program to see that the line management is measuring the effectiveness of the program, what management is doing in regard to the measurements that are taken, and whether the measurements are valid. But the actual effectiveness measurement will not be done by the auditors.

This is what the foundation is developing. It is all in the evolutionary stage at the moment, and developing. There are subcommittees of the foundation. One is the research and development committee, another is the implementation committee, and as these committees are assembling, reviewing and coming up with their conclusions and recommendations, they are passed on to the board of governors.

But the detailed work will be carried on by various subcommittees, not necessarily members of the boards of governors, but leaders in their fields. Ross Walker from Peat Marwick is heading up one and Ted Netten from Woods Gordon is heading up another subcommittee. They will then be reviewing, doing the research and development and presenting their reports to the board of governors, who will then either accept, alter, change or disapprove of their recommendations.

Mr. Ashe: Do these people receive remuneration? I know you mentioned those on the board of governors do not, but a particular assignment given to the chairmen of subcommittees obviously involves, I would presume, quite a bit of professional time. They do not receive any rights of remuneration either?

Mr. Scott: There is no remuneration paid to members of the foundation for work that is carried on. The only remuneration being paid will come if you hire someone outside

of the foundation, such as an outside consultant, to come in and do a specific project. They will be paid, but the actual committee members get no remuneration. They will get their expenses paid for attending meetings and so forth, but no remuneration.

Mr. Ashe: It sounds like an excellent program in the context of developing and expanding the whole philosophy of the auditor and the accountant and I think the profession is to be commended.

Mr. Chairman: You mentioned the cost would be the total of one professional accountant. Is that the cost in terms of travelling or whatever?

Mr. Scott: The funds that we contribute will go into the foundation and they will be used to run the foundation. They have to have office space, mailing and various administrative expenses. The actual board members get no remuneration. The \$24,000 in our particular estimates this year, as Ontario's contribution to the foundation—and I might add I am also the treasurer of the foundation—will be paid into the fund.

Mr. Chairman: So it will be well audited?

Mr. Scott: We hope so; well looked after.

Mr. Germa: Is every provincial auditor a member of the board automatically?

Mr. Scott: No. The auditors of British Columbia, Alberta, Prince Edward Island, Quebec and Ontario, plus the former auditor general of Canada.

Mr. Ashe: That is three have and two have-nots.

Mr. Germa: What about the other provinces? Are they are not participating?

Mr. Scott: They are participating, but as yet those other provinces have not introduced legislation to give the auditors the broad mandate in auditing. They are participating as far as contributing to the foundation is concerned, even though the auditor himself does not have the broad mandate.

Mr. Germa: To measure value for money?

Mr. Scott: That's right.

Mr. Germa: So how many provinces are left out that do not have this new audit legislation?

Mr. Scott: Quebec—we are anticipating Quebec's having legislation this year, but I think the government of Quebec has a little more on its mind right at the moment than audit legislation. There is apparently an election pending. Newfoundland, Nova Scotia, New Brunswick, Manitoba and Sas-

katchewan are the provinces without that mandate.

Mr. McGuigan: I have read a lot of articles concerning auditing and government employees. It seems to me I recall they generally make the claim that in private industry the efficiency rate of employees is something around 80 per cent—in other words, about 80 per cent of their time is spent working and the other 20 per cent at the water cooler or whatever—and the government figure is around 61 per cent or something.

Mr. Ashe: That was federal.

Mr. McGuigan: I was not trying to be political, George. I think that is the figure I have seen. How do they arrive at those sorts of figures? What is the validity behind them?

Mr. Chairman: That is a change of topic. Mr. Germa still has the floor.

Mr. Germa: What is the name of this foundation?

Mr. Scott: It is a federally incorporated, nonprofit corporation called the Canadian Comprehensive Auditing Foundation, with the "comprehensive" encompassing all types—the financial and attest and the value for money concept all wrapped into one package.

Mr. Germa: I see how you lose control with the Ontario budget being 70 per cent transfer. A large portion of that is transferred to municipalities, which once again transfer it. They have their boards and commissions too, so even though you are mandated to control public expenditures right to the last dollar, I do not know how you go from the provincial transfer to the municipal transfer, and then the municipality transfers to parks and recreation or wherever it goes. Do you have some strings going right through that system?

Mr. Scott: We haven't, and this is a major problem and the reason we are trying to get the same standards of auditing right through for all levels of government and organizations that are funded.

As a matter of interest to the committee, I am going up tomorrow to Thunder Bay to speak to the vice-presidents of the universities on this very subject of auditing, to see if we can get the same concept into the universities so that my office and the ministry would not be involved in having to go out so much. When you look at the amount of time, not only from the standpoint of the auditor's time but from the standpoint of the staff of the auditee, I think you can take

almost any ministry, and in particular with some of the smaller municipalities, for instance, the same or similar questions are probably asked half a dozen times by different auditors from different ministries going out and checking the books.

10:40 a.m.

In the larger municipalities, where they have more sophisticated accounting systems, they possibly have their accounts better segregated, but in the smaller municipalities where they do not have the qualified staff and so forth, it is very annoying to the clientee staff to be asked the same questions and have the same books looked at repeatedly. So this is the basis that we are trying to work on, to have uniformity in auditing throughout all levels of government and nonprofit organizations so that we can trace the dollars and accept the certificates of the various auditors.

Mr. Germa: I can see that the foundation is necessary now because of the new legislation, but the new students graduating—those accountants coming on stream—will they have been made aware of this new concept in their training program?

Mr. Scott: I would say yes, they will be, because all the major accounting firms are involved in the foundation. I think over the period of four or five years, particularly at the federal level, the auditor general of Canada has had somewhere in the neighbourhood of 300 to 400 different qualified accountants from various major firms go through his office and work there for a period of anywhere from one year to two years on sort of an executive interchange program. So the major firms are well acquainted with this and the students coming along will be subjected to and be knowledgeable about the foundation and its operations.

Mr. Germa: Eventually the foundation will become redundant.

Mr. Scott: I wouldn't say it will become redundant, because I think the educational program so far as the foreign development is concerned will go on for many years. It is like any other technology, there are always changes evolving, so there will be continual research being carried on by the foundation in order that all auditing techniques and so forth are kept up to date.

Mr. Chairman: That was part of my inquiry. I have difficulty with the auditing concept. It always seemed to me that if you set up one basic rule of procedure in terms of balancing the budget or whatever, it is

a simple matter of following that procedure through. If I can remember from my brief auditing course at the bar admission examination, it is my understanding that auditing and balancing budgets are on a continual basis of revival—doing things a different way; adjusting, as you say, to new technologies—so although I still have difficulties with it, it seems that the foundation is one method of trying to adjust to new circumstances and in setting a new universal concept for that new circumstance in terms of auditing. Have I got that right? Does that seem reasonable?

Mr. Scott: That is right. I agree, Mr. Chairman.

Mr. Ashe: Going back to your presentation in this book, appendix B—I appreciate this was January 31, 1980—you had some staff difficulties of the area of audit supervisors and auditors to a lesser degree.

On audit supervisors, you were short about 35 per cent of your complement. Can you briefly describe what the problem was? Was it turnover? Is it the salary level? Has the problem been resolved since January 31? Is it getting better or is it getting worse? I'm sure it must be a concern with you when you are missing 35 per cent in a very important component of your overall function.

Mr. Scott: The current situation, if I may bring you up to date, is that there is no change in the auditor or assistant provincial auditor. It remains at one. Directors still remain at four. Audit managers currently are 11. Audit supervisors are 13.

Mr. Ashe: Do you still have the one audit manager on disability? Is he one of the 11 or is that 11 plus?

Mr. Scott: That's included in the 11.

Mr. Ashe: So you physically have 10.

Mr. Scott: Physically 10 on staff, right. The one that is on disability allowance will be superannuated as of December when he reaches the age of 65. Audit supervisors are 13; auditors, 10; trainees, 30; audit assistants, four, and then the rest remain the same at one, so we currently have 81 on complement with one off on a long-term disability.

Mr. Ashe: You are basically the same as at January 31. It has shifted a little as to the category.

Mr. Scott: Basically the same, that's right.

Mr. Ashe: You promoted all your auditors to supervisors; that's what it tells me very quickly.

Mr. Scott: Not all of them; those who had been qualified due to experience. This year we had eight write their uniform final exams in the Ontario Institute of Chartered Accountants and they are awaiting the results. If the results are satisfactory, the auditor category will automatically come up, because some of them—not necessarily all of them, due to their performance—will be promoted to the auditor classification.

Mr. Ashe: At the moment they fall into that category of audit technicians and trainees.

Mr. Scott: That's right. They haven't completed their professional designation until they qualify with the exam. The problem with recruiting is the fact that there is a shortage and it's not only common to our office, it's common to the private sector. The national firms are advertising. Some of them are recruiting over in England. The auditor general of Alberta has recruited 18 in Great Britain this year and there's just generally a shortage of qualified accountants.

I don't think the salary is a problem because our salaries are comparable with the private sector. I might qualify that; Alberta, where you have the oil industry and great developments going on, apparently seems to grab off all the accountants it can at atrocious salaries that nobody can match.

Mr. Ashe: They are fuelling their own problems. There is no doubt about it, they have got the fuel to do it with.

Mr. Scott: That's correct.

Mr. Ashe: In more ways than one.

Mr. Scott: Since setting of the salary classification and salary schedule that is recorded there at January 31 in the briefing book, which our estimates were based on, the government did pass a revision in salary schedules effective April 1. They have all been upgraded since January 31, so I would say we are in line with the private sector and other governments.

10:50 a.m.

Mr. Ashe: Is the problem in the area of the number of fully qualified people, or are there just not enough students in the various training programs, whether they be CA, Certified General Accountants Association, Registered Industrial Accountants or whatever? Is there enough in the system that within the next year or two the shortage will be resolved, or is it going to get worse? Frankly, I am surprised to hear that, because it has been in the back of my mind that it seems to be coming out that virtually all the professions have too many people in

them, and I included accountants in that without investigating it to any great degree. This is an area I am sure can be resolved by passing the shortages through the educational stream at the appropriate level.

Mr. Scott: My own opinion is that it probably will be certified, but not for several years. There is a tremendous number of students and I can't give you the figures in each of the three professional designations. I am only taking a figure off the top of my head, but I think somewhere in the neighbourhood of 2,000 have written the uniform final exams of the CA institute across Canada this year. I think CGA is somewhere in the neighbourhood of 8,000 students registered at various levels in its course and I have no idea how many are going to graduate. In the RIA, I wouldn't hazard a guess as to how many students they have enrolled, but here again it depends on the graduation; how many pass their final exams.

Mr. Ashe: In your view there are enough in the system, assuming a normal flow-through to completion—successful completion, of course.

Mr. Scott: I would think there are enough in the system and in a few years it will eventually rectify itself. If you go back four or five years there seemed to be sufficient, but then with the upsurge in the western provinces there seems to be quite an exodus to the western provinces. They are taking as many as they can possibly get.

Mr. Ashe: By offering the extra buck.

Mr. Scott: That's right.

Mr. Chairman: Can we go on to a supplementary on the same subject? In terms of the number of people on staff, I was going to ask whether the auditor has a comment about whether the employees are sufficient enough to monitor the \$14-odd billion of the province. I am sure every department would like to see an increase in staff, but in terms of my experience with you sitting on the general government committee, you always seem to have a nice, unbiased position. How do you feel about staffing?

Mr. Scott: As soon as we get through with the audits for March 31, 1980, we are going to sit down and take a very serious look at our staffing situation and whether or not we have sufficient. In order to overcome the shortage that has existed in staffing, this summer we did have to go out and have the assistance of a firm of accountants, which provided us, from approximately April 1 until the middle of July, with five of its

senior personnel, who assisted with five of our crown agency audits.

We had to do that due to the shortage of professional staff. Mr. Germa also will recall we were deeply involved with the land assembly projects for the public accounts committee as a special project, which also, unfortunately, hit our office right at our busy time. From about the middle of April through till the end of September we just do not have spare bodies because of having to do approximately 60 crown agency audits.

Mr. Chairman: How do you do that? Is that kind of work tendered out or do you just hire on the basis of first come, first served?

Mr. Scott: We asked the various public accounting firms if they could assist us. One firm was going to assist us and give us an entire audit team. Then it backed off at the last moment and this other firm stated that it would assist us.

Actually, the Ontario Institute of Chartered Accountants is very helpful in this regard. Some time early in the year it requested that I appear before the executive committee of the council. The purpose of the appearance was strictly to see what the institute could do to assist our office. It was through that appearance that these firms indicated that if we required any assistance we should contact them and they would see if they had staff available.

The slack period for the public accounting firms in the private sector is during the summer, possibly from the middle of May right through until September, because the majority of their work has a year-end of December 31 and the taxation year. They were able to provide us with five staff, which greatly assisted us in getting our audits.

Mr. Chairman: Then it is not so much a matter of having a large number of companies bidding and looking for an opportunity to work as it is your being able to get commitments from people supplying accountants?

Mr. Scott: That is correct.

Mr. Germa: I think a lot of people assumed that as a result of the new Audit Act there was going to be an increase required in your staff. I note that in 1977 you had 78 people on staff and now you have 81, which is not a large increase. Were we wrong in assuming you would have to increase more than that in order to accomplish what the Audit Act directs you to do?

Mr. Scott: We did increase our staff by seven or eight about two years ago. Shortly after the Audit Act was proclaimed, we requested this, the Board of Internal Economy granted it and this committee approved of our estimates. The problem is, we haven't been able to recruit sufficient qualified staff and it would appear the only way we are going to get qualified staff is through our own training program.

As I mentioned, we have eight writing the uniform exams this year. We had one CPA, I guess it was, qualified; one lady qualified this year for her CGA designation, and we have currently on staff 20 CA, five RIA and four CGA students. It is hoped the eight of our CA students will be successful. That is very optimistic; if we get five we will be very fortunate. I think the only way we are going to get the staff is through our own training program.

Mr. Germa: But you have no tie on these trainees. They could all end up in Alberta.

Mr. Scott: They could, that is correct. We have no tie on them.

Mr. Germa: Have you ever thought of some process of tying them down to some period of service, much the way Joey Smallwood did with the medical profession in Newfoundland, or as the military colleges do? They will train you and then you have to serve our army for four years to compensate for the training you have been given.

Mr. Scott: It is a possibility.

Mr. McGuigan: They call it slavery.

Mr. Germa: They still do that at the Royal Military College.

Mr. Ashe: I can't understand how free enterprise speakers like you fellows would think of anything like that.

Mr. Germa: This was passed by free enterprise governments in the military colleges and in Newfoundland as it relates to medical doctors.

11 a.m.

Mr. Scott: Mr. Chairman, if I could respond to that, it might have the adverse effect on recruiting. Organizations in the private sector do not tie their students down to that degree; if we were to tie them down I think they would be reluctant to come with us for training, so our training program in all probability would grind to a halt. Even though I am working in the public sector we have to keep on a par with the private sector in order to get the calibre of person we are looking for.

Mr. Germa: You say the salary is commensurate with that of private firms?

Mr. Scott: Yes.

Mr. Germa: Are the private firms having the same difficulty in attracting trainee students?

Mr. Scott: I would like to correct that, Mr. Chairman. We are not having a problem attracting trainees. The problem we are all faced with is getting the required professional people after they have graduated. Currently, there is not a sufficient supply of professional accountants in Canada to meet all the demands.

Mr. Germa: You have had this program going for a considerable period of time, have you not?

Mr. Scott: That is correct.

Mr. Germa: It must be that once these people graduate they are going to Alberta, if you are five or six short on staff right now.

Mr. Scott: We have not had that many graduates.

Mr. Archer: This is the third year we have had CA students writing the uniform final examination. In 1978 we had three write and one passed; in 1979 we had five write and three passed; this year we have eight who have written and it remains to be seen how many will pass.

The problem, as Mr. Scott has mentioned, is in holding these people once they have got their degrees. Of the four I mentioned who have passed through the office, only one is still with us. They have gone on to industry or to some other ministries within the government. That is because there is such a demand for qualified accountants everywhere.

Mr. Scott: I might add to that, if I could, that when staff leaves us and go to a ministry or a crown agency, we do not feel we have lost those persons. I look upon my office as a training ground for financial officers within the government or within agencies. We hope that with the broad experience that they gain by being trained in our office, the overall accounting and administration within the ministries or the crown agencies will be improved.

Mr. Germa: Can we talk about salaries under this item?

Mr. Chairman: Are we anticipating that under this specific vote? We have the provincial auditor's salary under vote 1101. I think we could have a general discussion.

Mr. McGuigan: Just to sympathize with you on your problem of people going to Alberta, I know of a public health nurse

who, just a few months ago, was working in Ontario where her salary was something in the \$12,000 to \$13,000 range. She went to Alberta and started at \$22,000.

Mr. Scott: You cannot compete with that.

Mr. McGuigan: No, you really cannot compete with that.

To return to my question: You often read articles in business magazines and so on that are critical of government. They bring up figures that I think I recall as being something like 60 per cent efficiency in government and about 80 per cent in industry. What do they base that on? Is there any validity to it? Can you comment on it?

Mr. Scott: I think you are referring to a comment in the report of the auditor general of Canada in which he made the statement that the productivity level in the federal service was approximately 61 per cent whereas in industry it was approximately 80 per cent; therefore, the level in the federal government was not acceptable.

What he based that on, I have no knowledge of. There was some sort of review made by members of his staff. I think they took some sort of sample and then projected that figure, but I do not have the details, so I cannot comment on it. Certainly from my standpoint I would not be making a similar type of projection as far as Ontario is concerned.

Mr. McGuigan: Do you make any similar tests or comparisons? Coming back to the value for money as part of that concept, do you make any of these tests?

Mr. Scott: We have not made a specific overall approach such as the auditor general of Canada did. He did this as a specific project in connection with the clerk category, I believe, but we have not made that type of overall review. The review we are doing on an overall basis this year is the review of the internal audit function in all the ministries and certain crown agencies of the government. In my 1980 report, I will be reporting to the Legislature on that overall review of internal audit.

That is the first government-wide review we have undertaken under our new mandate. We have done specific programs and reported on the specific programs. The one I recall in 1978 was the Ontario Racing Commission. In 1979, we reported on four programs on which we did an in-depth review, but we have not done a broad, government-wide productivity type of study.

Mr. McGuigan: Do you anticipate that you might make that a project at some future time?

Mr. Scott: I have not got it on my agenda or my list to undertake.

Mr. McGuigan: I am certainly no expert on auditing, but I understand that in the federal area the auditor general can call into question whether funds can be used for certain purposes. Do you have that authority here?

I might as well tell you what I am thinking about is the advertising program that is currently going on with the provincial government, "Conserve it, preserve it," et cetera. Do you have any authority to question whether the government has the authority to spend that money or do you simply determine whether the figures add up?

Mr. Scott: Mr. Chairman, we have exactly the same mandate as the auditor general of Canada. If you go to our 1979 report, we did comment on the advertising of the Ministry of Industry and Tourism program. We certainly would not get into the area of the current controversy as to whether it is politically oriented. We would not be into that field at all, but we would take a look and see whether the program undertaken was being measured to see that it was achieving the objectives of the program—whether they were measuring the program and whether they had objectives—but we would not be dealing with whether it is politically oriented.

Mr. McGuigan: I am not familiar with the comments you made in 1979. Do you have that report handy?

11:10 a.m.

Mr. Scott: Observations re tourist marketing development operations, Industry and Tourism. It is in section 67, on page 96 of our report.

Let me state the objectives of that activity. They are to encourage more Canadians to vacation in Ontario, to stimulate more long-term American visitors to Ontario, to capitalize on the large potential that exists in prosperous western Europe and Japan, and to improve tourism awareness and hospitality attitudes. We go into the advertising area there. On page 97, we say: "However, we felt the objectives of the activity are not sufficiently well defined to permit any meaningful evaluation of achievement level. For example, the terms 'more,' 'capitalize' and 'improve,' which are stated in the marketing objectives, should be quantified to the extent

possible." So we are critical of the objectives as set out in that particular program.

That is one of the special in-depth reviews that we did and reported on in 1979.

The Acting Chairman (Mr. Ashe): Supplementary on that: What expertise do you associate with yourselves as auditors to come to that conclusion? I presume you would not put yourselves out as experts in the communications field or the public relations field, or whatever you want to call it that advertising attempts to do. Would you associate with your team some people from the marketplace who have some expertise to give that guidance and that kind of an assessment? I have no problem with that if that is the case, but I frankly don't think that you as auditors have that expertise on your own.

Mr. Scott: Mr. Chairman, in reply to that, we have not as yet. As I have mentioned previously, this whole area of in-depth or broad-scope auditing is sort of in the evolutionary stage. The approach we have taken in our office is to have two teams operating. We have staff who have shown a fair amount of initiative in this type of auditing and we have made selective programs. They have gone out and planned the audit, reviewed the organization or the program to be audited, taken a look at the objectives as stated and then, after the in-depth review, have come up with the comments that I read out, based on the fact that the objectives as they are stated are not sufficiently defined to measure the performance adequately.

That is as far as we go on that in that area. If we were to try to analyse and measure the effectiveness, we would have to have marketing and advertising personnel, but it is not a mandate of my office to measure the effectiveness of any program. As the act states, what we do is go in and see that management is measuring where possible and see what management is doing with the results of those measurements. This is all coming out through the improved management by results program that the government's management board secretariat is developing.

Mr. McGuigan: I would go so far as to suggest that, if you felt it was an appropriate area to examine in 1979, it is a lot fuzzier area in 1980. I guess that is really all the questions I have.

Mr. Germa: Can I get back to the shortage of these people in Ontario? The report of the professional organizations committee was not very kind to the accountancy profession in general terms. I think it recited a lot of confusion and conflicting organizations, and no central licensing body that was effectively

issuing licences or policing the profession. I wonder whether the auditor has read that report and could make some comments on some of the recommendations, such as that there should be established a public accountancy licensing admission board and that would be the board responsible for issuing licences.

Mr. Scott: We do have in Ontario the Public Accountancy Act. The council that administers that act is responsible for the issuance of licences for individuals to perform public accounting. So we do have a licensing body within the province.

In addition to that, the Ministry of Intergovernmental Affairs licenses municipal auditors, so that you cannot audit a municipality in Ontario unless you hold a municipal auditor's licence. That particular area is currently under review by the ministry, because I believe it was about 1965 or 1966 that it reviewed municipal auditing. So we do have that licensing feature in Ontario and, of course, we then have the disciplinary committees of the various accounting bodies.

I cannot speak for the RIA or the CGA, because I am not too familiar as to how active their discipline committees are, but certainly I know the Ontario institute committee is very active. Any complaints or charges against a member of the Ontario institute are reviewed, and if a person is removed from the roster or suspended for a period of time, it is then communicated to all members in their normal monthly or semi-monthly bulletin as to the results of the disciplinary committee. So they do have a disciplinary action against members.

Mr. Germa: Why does this committee recommend that the Public Accountancy Act should be repealed? They are not satisfied with the way it is functioning.

Mr. Scott: I think possibly here they recommend a different form of licensing body. Currently under the Public Accountancy Act, the Institute of Chartered Accountants is the only qualifying body. There is sort of a bridge section whereby if a member of another professional body can sit the uniform final exams, I believe he can then be licensed; but it is sort of a protection to the public, where auditors are offering their services for public auditing and accounting, that the person you have is qualified and has had some experience in that field, whereas in the other two associations there is no requirement that you have any experience in auditing, and particularly in public auditing.

11:20 a.m.

For instance, a person could be in an accounting office of a manufacturing concern and getting very limited experience. He might be working in accounts payable, accounts receivable, or the payroll section, and carry on with his course of study and pass the exams. The Public Accountancy Act was brought in, as I understand it, some time in the early 1950s as a protection to the public, so that the public would know that anybody offering his services for public accounting and auditing would be licensed, that he had qualified and had had some experience, whereas the other associations have not necessarily had that experience.

I probably shouldn't express thoughts on somebody else's report, but my thought is that they are probably looking at the fact that if members of the other associations had the same type of experience, then they should be qualified to do public business and be licensed, but unless they have that, there is no protection to the public.

Mr. Germa: Every province does not have this protection, is that the way the situation is?

Mr. Scott: That is correct. They do not all have licences; all provinces do not license public accountants. If you will take a look at the Audit Act, 1977, the Ontario act requires that the provincial auditor be licensed under the Public Accountancy Act, whereas the federal act does not have that stipulation. If that were to be incorporated into the federal act, it would eliminate any resident of the provinces that do not have a licensing feature, so that is the reason it was left out of the federal act.

Mr. Germa: There was evidence brought before the professional organizations committee that the public had not suffered in those areas where licensing is not required and it would appear the feds go along with that in that they don't require this protection of competence.

Mr. Scott: Mr. Chairman, I don't think I can comment on that because I am not privy to the representations that were made before the committee. The only comment I can make as far as the feds are concerned is in connection with the auditor general's position: they did not require that be incorporated into the act because of the licensing not being required in all provinces. Therefore, a senior partner, for instance, in Price Waterhouse in BC or Alberta would not qualify for auditor general because he wouldn't be licensed under a public accountancy act.

However, they do, shall I say, protect themselves in the fact that they set up a committee of senior partners of national firms to make the selection and the recommendation, so that even though it's not a requirement that one be licensed, they do give the protection by having the selection committee composed of senior partners of the national firms.

Mr. Germa: Mr. Chairman, on the salaries that have been provided to us in appendix A, Audit technicians have had an increase in salary of better than 23 per cent. That's a little bit out of line with the rest of the figures here. How did that come about?

Mr. Scott: You are looking at the minimum and maximum?

Mr. Germa: Maximum for 1979-80, \$15,325, and for 1980-81, \$19,000. That's better than 23 per cent for the audit technicians.

Mr. Scott: This incorporates the economic adjustments that were made and the change in this particular fiscal year. I think the members of the committee will be familiar with the fact that the Ontario salary classifications in the past had a minimum and a maximum and possibly four or five steps within that classification. We have now brought our salaries in line with the civil service recommendation that you go to what they call the broad banding group where you just have a minimum and a maximum. There are no steps within the particular salary range and it is management's decision as to whether the person gets a merit increase and, if so, how much merit increase.

In our office we have probably given a little less than some of the other ministries. If the person is just average, he will get no more than a four per cent maximum; if the person is above average, we would give six per cent; if he is showing exceptional performance, we would give eight. If the Civil Service Commission recommended it, it is possible to go as high as 10 per cent, but we go just to the eight per cent level.

This gives us a little more control over staff in that we can recognize staff who are producing. I hope this will answer Mr. McGuigan's question. Those who are producing and have high productivity are recognized under this type of system, whereas before you were required at least to give them a minimum of one step. Therefore, the average worker and the worker just slightly below average or slightly above average all got the same recognition. This is the system

we have introduced, which is now common, I think, throughout the entire civil service.

Mr. McGuigan: If I can just interject, I think we are all guilty, whether it is in government or private industry, of not giving those exceptional people what they really deserve. The exceptional people are probably turning out 100 per cent more work than the poor fellow or girl, whichever it happens to be, and yet we only give them eight per cent for their greater efforts. I think it is a failure we all have, right through our whole society.

Mr. Chairman: Mr. Germa's question is that some of these people were boosted up to the higher percentage within a year. Is that the answer?

Mr. Ashe: I thought the answer to that was that we are recognizing the range, expanding the parameters of the range, and changing the way it was done.

Mr. Scott: The ranges have changed. It is not that they have received a 23 per cent increase, it is that they are permitted, over a period of the course of their training, to go to a little higher level in order to compete with the salaries in the private sector. We have to stay in line. The individuals are not going to get the 23 per cent.

If you look at the audit technician, the new bottom range on the AM3 pay grade is \$16,500 whereas previously it was \$16,225, so that has increased by only \$275 per annum. The one that has increased considerably is the audit technician contract below that, which has gone from \$11,200 to \$16,000. That has been broken up into two categories so that everybody who comes on contract does not necessarily start at \$16,000. It depends upon the qualifications. We have trainees coming on contract who have a Bachelor of Commerce degree from the university. We have to compete with the private sector on salaries. At the moment, the figure is about \$15,000 for a student coming out of university as a B.Comm.

11:30 a.m.

We also get students coming from community colleges or from the diploma course at Ryerson who would, therefore, not start at the \$15,000 mark. They would be down in the audit trainee category at the \$13,000 level. It gives us flexibility in our recruiting program. The students who come on from Ryerson or a community college will slip into the RIA or the CGA stream, whereas the majority, if not all, of the B.Comm. students we recruit at university will go into the CA program.

Mr. Germa: At the bottom of the page I see rug-ranking is still rampant in the secretarial bracket. The secretary to the provincial auditor has a maximum of \$17,700, whereas the secretary to the assistant provincial auditor has a maximum of \$15,475. That has been condemned right across the land. The size of the boss's rug should not indicate the salary of the secretary. Are the qualifications not equal for these two people? Is the job content not equal? They are both secretaries; one to the auditor, one to the assistant.

Mr. Scott: I wouldn't think the jobs are quite equal. Basically my secretary would be dealing in more cases with members of Parliament and also with senior partners from the private sector, whereas a secretary to Mr. Archer would be dealing only with those situations in the exceptional case, when either my secretary is on vacation or I am out of the office and the call is referred. However, if the call is referred when I am out of the office, then it is still my secretary who is dealing with that call and referring it to Mr. Archer.

Mr. Germa: Can I look at the rest of the list of salary adjustments? If you turn to page two of appendix A, under typist and clerk, clerk stenographer and general clerk, typist and clerk got a raise of 0.05, clerk stenographer got a raise of two per cent, and general clerk got a raise of 12 per cent. How does that come about?

Mr. Scott: Mr. Chairman, if you will take a look at the footnote there, these were slotting in on the broadbanding areas and they are not actually revisions in the salaries.

Mr. Germa: There is a revision in the maximum.

Mr. Scott: It is very slight. If you will notice in the categories, certain categories were to be adjusted, to be reviewed, effective January 1, 1980. The adjustment on January 1 has not been included in this 1980 schedule, because it wasn't available at the time this was prepared. This is just a slotting in from the old salary range to the new broad banding group of the civil service. There was an economic adjustment. Mr. Gillis might have the rates.

Mr. Gillis: This was in three stages: in January, in April and again on September 1. In regard to the two you were saying were less, subsequent to this being prepared, they did have a January 1 economic revision in three stages: on January 1, April 1 and September 1. The general clerks did not get those three stages. They got only two

and the others got three economic revisions. The union negotiated those with the government and we followed the same classifications as the rest of the Civil Service Commission in those categories.

Mr. Germa: Can I raise one other matter? It is in regard to the federal transfer payments into the province, say in the case of medicare. There has been some criticism from the federal Minister of National Health and Welfare that these funds were disbursed in fashions other than they were supposed to be in the case of block funding for medicare. Would that be your responsibility to ensure that these federal transfers are used for the matter that the feds had indicated they were to be used? I think Monique Begin intimated that Ontario had taken federal medical funds and disposed of them for other than medical purposes.

Mr. Scott: Maybe Mr. Archer is more familiar with that than I am. The moneys received from the federal government are deposited in the consolidated revenue fund. Up until they brought in the block funding, the moneys for medicare were based on a claim. The claim would be submitted to Ottawa showing the amount of money that had been disbursed by the province in connection with medicare, and it would be reimbursed by the feds up to the limit the feds were going to contribute.

I am not familiar with her accusations as to the province using funds for other sources, but it is my recollection that in all cases the province's expenditure on medicare has exceeded what it can claim from Ottawa. Is that an accurate statement?

Mr. Archer: I think the test there would be that the Ontario expenditure on medicare should exceed the sum total of the amount it gets from the federal government plus the amount it is collecting in premiums. If that is the case, I cannot see that there would be any grounds for the accusation of Ontario spending federal moneys on other than medical purposes.

Mr. Germa: Okay. Let us assume it has not happened up to this time because Ontario expenditures have exceeded what is required. But suppose the situation were reversed. Do you have jurisdiction? Who polices that? If there were surplus block funding money, would it be your responsibility to police that?

Mr. Scott: Even though there is block funding money, I am sure there must be a report that would have to be presented to the federal government in connection with the overall expenditures of the province in

connection with medicare. Whether we are responsible for auditing that under the block funding, I cannot say offhand, but we certainly check all claims on the federal government under federal-provincial agreements. I am sure the province's expenditures in that field will far exceed the amount that is required to be disbursed for federal participation.

Mr. McGuigan: I have one question of a philosophical nature if we are not pressed for time.

Mr. Chairman: We are not really, except we are meeting again at one o'clock instead of the regular two o'clock.

Mr. McGuigan: I will make it very short. In business accounting you may spend money to buy a truck, a building or whatever. You also carry that as an asset. Governments do not do that, do they? They put up a bridge that costs \$5 million and it is all paid for in one year and there is no asset.
11:40 a.m.

It was probably a simple, good affair in times past. But today, when we have such fantastic requirements for capital—I am thinking of Syncrude plants, Ontario Hydro plants and all of these sorts of things—are we getting to a stage where we should consider listing the assets, or is it simply impractical, too costly? We in the opposition—and that is going to be reversed shortly—then will be able to look at—

Mr. Chairman: You are being political.

Mr. McGuigan: —we will be able to look at the billions of dollars we are in debt and whether those billions of dollars are all debt when there are assets sitting in the form of bridges or hydro plants or whatever?

Mr. Scott: Mr. Chairman, in answer to that question, there are probably several reasons. First of all, there would not be a great deal of advantage in showing on the statement of assets the fixed assets of the province at their dollar value because there is no market value for so many of the assets of the province. For instance, I haven't a clue who would be interested in buying a section of Highway 401.

Second, the purpose of the fixed assets at cost and depreciating them is to spread the cost to the industry over the expected life of that asset. Here in the province we are on a cash basis, so as long as the assets are controlled so that we do have some control over the assets owned, particularly over the mov-

able assets, I think that is the most important feature, the control and recording of a movable asset. There is no market value for the majority of the other assets, other than possibly some land that the province has.

Mr. McGuigan: But they could have a book value.

Mr. Scott: They could have a book value, but I don't think it would be meaningful at all from the standpoint of the financial statements of the province.

Mr. McGuigan: So we are pretty well stuck with the present system?

Mr. Scott: I would say yes, in my opinion.

Vote 1101 agreed to.

Mr. Chairman: Thank you, Mr. Scott, members of the committee. We will be attending at one o'clock for three private bills. One is the city of Ottawa bill which will be highly controversial. I hope we find it in our schedule to attend.

The committee recessed at 11:50 a.m.

The committee resumed at 1 p.m.

The committee adjourned at 3:45 p.m.

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From the Office of the Provincial Auditor:
Archer, D. F., Assistant Provincial Auditor
Gillis, J. K., Administrative Officer
Scott, F. N., Provincial Auditor



No. G-3

Legislature of Ontario Debates

Official Report (Hansard)

Standing Committee on General Government
Estimates, Ministry of Treasury and Economics

Fourth Session, 31st Parliament
Wednesday, November 5, 1980
Morning Sitting

Speaker: Honourable John E. Stokes
Clerk: Roderick Lewis, QC

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Contents of the proceedings reported in this issue of Hansard appears at the back, together with an alphabetical list of the speakers taking part.

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LEGISLATURE OF ONTARIO

STANDING COMMITTEE ON GENERAL GOVERNMENT

WEDNESDAY, NOVEMBER 5, 1980

The committee met at 10:10 a.m. in room 228.

ESTIMATES, MINISTRY OF TREASURY AND ECONOMICS

Mr. Chairman: I will see a quorum and begin this wonderful session, after that smashing victory of Ronald Reagan last night, and get into something as energetic and stirring as the estimates of the Ministry of Treasury and Economics, which I know we are all awaiting with great anticipation. The critics are just dying to get their teeth into this matter.

Without any further ado, we will turn to the minister and say, "Have you got anything to say?"

Hon. F. S. Miller: I think you should not phrase the question that way, Mr. Chairman, because that implies that it is worth listening to.

The prepared text is brief. I shall go through it and then leave the rest of the discussion at the discretion of my critics.

It is obviously my pleasure to present to you the estimates for the Ministry of Treasury and Economics. As you know, it is approximately two years since the ministry was reorganized so as to accommodate the growing demands of intergovernmental matters, such as the constitution and local tax reform.

In the second year of the reorganized ministry we took the reorganization one step further and transferred certain key staff in the local government finance area into the Ministry of Intergovernmental Affairs so my colleague, the Honourable Tom Wells, could undertake more intensive monitoring and analytical operations.

We also, in this year, presented a budget to the House on April 22, and are in the process now of preparing supplementary actions. The supplementary actions contain the government's response to the cyclical problems of the economy. I also anticipate that they could well contain some indications of additional measures that the government will take to improve the capacity of our economy to meet growing international competition.

When one considers the unhappy and turbulent budgetary history of federal governments over

the past two years, I think we have reason to be proud of the stability of our province. That we can produce budgets when they are needed, and can serve the interests of the general public quickly and effectively, is a tribute to the leadership of the Premier (Mr. Davis), and I might add, to the acceptance by all parties of the need for moderation, balance and compromise.

I have heard a great deal about the need for comprehensive economic policies of various kinds which will allegedly solve all our problems. I have looked at most of the so-called comprehensive industrial strategies, for example, and find that few of them can be implemented without the creation of massive debt burdens for future generations of Ontarians. Our preference is for selectivity and for sunset operations such as the employment development fund. The fund has been extremely successful in its encouragement of growth.

In my philosophy, governments are not the natural creators of technology and jobs; only individual free enterprise working within an effective business climate can truly tackle that immense and complicated task. That is why you will find me reluctant to pursue instant cures to economic problems that have complex origins.

What the public needs, above all else, is stability and prudence in government. We are still living in the shadow of proposition 13, and my advice to people who tell me to spend the economy back to prosperity is that spending means more borrowing and more taxes, and that leads, in turn, to even more taxes. And I do not think a referendum on the subject would lead to an overwhelming vote of confidence in governments that want to raise taxes.

I would like to turn now to a discussion of the main elements of the province's fiscal policy as set out in my 1980 budget.

Ontario has been, as I am sure you all know, an ardent supporter and practitioner of public sector restraint. We have felt for some time that the continuous growth of government spending in Canada is having a detrimental effect on economic performance and, in particular, on the inflation outlook. The restraint policies

which we adopted in the mid-1970s were based on the knowledge that jobs depend on investment and growth in the private sector.

The province acknowledged some basic economic realities when it embarked upon the restraint program in the mid-1970s. The balanced budget commitment and publication of long-range fiscal planning targets in the 1977 budget were a major recognition of these economic realities and heralded the change in the approach to economic policy and financial planning. Certain key objectives were set and, looking back on the record, so far the province has been able to meet many of these objectives.

During the late 1960s and early 1970s, with a burgeoning economy, the Ontario public sector expanded at a rapid pace. Much of the spending was on capital projects, which have a significant multiplier feedback effect on the economy and are the kind of public sector investments which create economic growth. However, the schools and the hospitals that were built created a future cost stream to be financed as operating costs by the province in perpetuity.

These types of expenditures are ongoing commitments. This expansion was financed mainly from the buoyant revenue growth which the booming Ontario economy of that time was able to generate. The fiscal dividend provided by the progressive tax system was high and well able to finance the expansion of essential services and new infrastructure. However, the situation changed dramatically with the introduction of federal tax reform measures, such as the indexing of the personal income tax. These measures reduced the growth potential of the provincial revenue base dramatically, and have left most provincial governments underfinanced relative to their program responsibilities.

A further disturbing trend in Ontario compounded the problem. The shift in economic activity to western Canada began to show up as a reduction in the proportion of the country's tax base existing in Ontario. To some extent there was real shift towards the west, combined with the catching-up effect as the Alberta and the British Columbia economies grew faster and caught up with Ontario. Hence the revenue base in Ontario declined in relative terms.

The approach we have adopted is that of bringing our spending back, in line with our current revenue structure, to a level that can be supported by the revenue base we now have in Ontario. The program has been successful and we have held our expenditures in check, but I would like to point out that the expenditures have continued to grow. It is the rate of growth

which has been held in check below the rate of nominal gross national product growth.

We have been able to meet these targets without actively cutting essential programs. Essentially, it has been a belt-tightening exercise designed around increased efficiency and the promotion of a more productive, cost-conscious public sector. The share of gross provincial product accounted for by our expenditures has fallen from 17.2 per cent in 1975-76 to 15.5 per cent in 1980-81.

However, this cutback has been achieved without seriously jeopardizing social services and other essential programs. The share of the provincial budget allocated to the social area has remained relatively stable and the annual rate of increase has been higher than for many other programs. The restraint program has enabled the province to keep down financial requirements and do without massive tax increases.

Turning for a moment to our fiscal plan for the current year, I would like to spend a few moments discussing the financial position outlined in the Ontario Finances which I released on October 30. The report shows that our overall financial position is still strong, despite the slower economic conditions which have prevailed so far this year. The restraint program is continuing to operate successfully and expenditures have kept to the original budget target of \$17,121 million, despite continuing pressure for additional funds in certain key areas. We have been able to contain these additional needs by redeploying funds from other less critical areas of spending where savings have been identified.

The increase of \$33 million in our cash requirements is due entirely to a deterioration in the revenue outlook. However, given the economic conditions which have prevailed recently, our revenue performance has been remarkably good and the forecasts have, in most cases, proved quite accurate. The major area of deterioration has been among consumption taxes, which are sensitive to short-term fluctuations in economic activity. The retail sales tax estimate has been reduced by \$70 million, illustrating the weakness in consumer spending on big-ticket items and the high cost of consumer credit.

10:20 a.m.

I am pleased to state that the local sector has fared very well in the context of the province's fiscal plan. The generous level of assistance to local governments, combined with expenditure restraint at the local level, has led to a reduction in real property tax burdens.

This is manifested in the decline in property

taxes relative to household income from 3.2 per cent in 1970 to 2.4 per cent in 1980. I must also emphasize, this reduction in tax burdens over the decade does not take into account other forms of property tax relief, such as tax credits and the new property tax grants which, in total, currently amount to approximately \$500 million.

Thus far I have confined my remarks on the government's fiscal policy to a discussion of the restraint program and the general philosophy behind public sector restraint as an economic policy tool. I am sure you will all remember that the 1977 Ontario budget contained a series of long-term fiscal projections which indicated that Ontario intended to make a gradual, but continuous, reduction in the level of the deficit, until the budget was in a balanced position. The main vehicle for this has been the expenditure restraint program.

However, I believe that the balanced budget objective always has to be set in the perspective of current economic conditions. The commitment to developing the balanced budget flexibility remains as strong as ever, but this is not a commitment which can or should be relentlessly pursued at the expense of economic wellbeing.

The government has a responsibility to maintain an economic climate which is conducive to long-term growth and prosperity in Ontario. This means that, from time to time, it is necessary for the government to take specific discrete steps to ensure that short-term fluctuations in activity, many of which are the result of external shocks, such as the oil price increases during the recent years, are smoothed out.

The balanced budget objective is still the cornerstone of our long-term fiscal planning. It is, if you like, the framework for our long-term economic strategy and provides, at a minimum, a worthwhile discipline and yardstick to measure our performance against. And quite frankly I believe the record speaks for itself. We have, by any measure, an excellent record.

Mr. Chairman: Thank you, Mr. Treasurer. I might add to committee members that we were thinking in terms of sitting to 12 o'clock, more or less, and then coming back at two until four for our first session of the estimates. The chairman was hoping to get away by about 11:50 this morning for another commitment, if that could be so arranged.

Mr. Peterson: You could probably leave right now and we would not miss you.

Mr. Chairman: I was thinking about doing that, as a matter of fact.

Mr. Hennessy: All those in favour?

Mr. Chairman: Thank you, Mr. Treasurer. I stayed awake part of the night anticipating that opening statement. The other part of the night I was staying awake thinking about the statement to be made by the critic for the Liberal Party.

With great anticipation—I am sitting on pins and needles—does Mr. Peterson have a word or two?

Mr. Peterson: You are the only bright spot in the whole day, Mr. Chairman. It is a very opportune day to start the Treasury estimates because of the events of last night. It definitely shows there is a conservative swing even in the free world, what with Jamaica, and then the United States last night. As soon as the people in this province realize that the only true conservative party in this province is the Liberal Party, it is guaranteed we are in power.

Mr. Laughren: I agree with you. Your assessment of the parties is good.

Mr. Peterson: You see? My little friend agrees with me.

I do not plan to make a long statement. I am very happy we are in committee this year rather than in the House, because I find the House constricts free discussion and prevents discussion with the members of the minister's staff. I am one who hopes that the minister is going to allow members of his staff to engage in discussion. It is a chance to trade points of view and philosophies.

I have heard Mr. Laughren's speech on the mining machinery industry at least 17 times and I am getting sick of it. I am hoping he will restrain himself this year and try to think of something new, at least for my benefit, if no one else's.

I do not plan to make a major diatribe, but I want to start a discussion about a few things that have bothered me. I have mentioned them to you before, but I have never had an adequate response or an adequate discussion.

The first thing I want to talk about is the reorganization of your ministry, which I think in retrospect has proven to be a mistake. With the exodus of Mr. McKeough you embarked on a major reorganization and I think you have robbed the Treasury of the power it should have and certainly used to have.

There are probably a variety of reasons why that has happened, but we have seen the systematic dismantling of it. I have seen a lot of good people go. I have said to you before, and I do not expect you to believe me, that the feedback we hear is there is a lot of discouragement and disgruntlement among your own staff.

I do not expect any of them will admit to the relative loss of power, not only in Ontario as the decision-making group inside the cabinet, but inside this country. I think part, although certainly not all of the reason for that, is the reorganization it has gone through.

It is my view that the Ministry of Inter-governmental Affairs aspect that deals with municipal affairs could easily be pared off, and probably should have been pared off, into a municipal affairs ministry. It could probably be combined with the Ministry of Housing quite comfortably in maybe a resurrection of the old municipal affairs kind of portfolio. Clearly, the federal-provincial part should have been maintained in Treasury.

I think that is one of the reasons why you may not be taken as seriously as you should be at a national level. You are speaking with two different voices. There is you and Mr. Wells and the Premier has a sort of indeterminate role in all of that.

I would like your thoughts on that matter because it is my view, and I would urge you, in your discussions with the Premier and your people who make these decisions, to consider a reorganization to bring some power back into the Treasury to give you a stronger national voice so when you go to Ottawa, when you speak with your confreres, with your brother treasurers, you could probably do that with more authority than you have at the present time. Have you any thoughts on that?

Hon. F. S. Miller: I will be glad to comment on two or three things. First, the subdivision of the ministry started some years back. It did not just occur when I became Treasurer. I think the major cleavage occurred when Intergovernmental Affairs became an independent ministry. But, you are quite right, prior to that Housing, in effect, almost was created out of the original ministry. It was a large and complex one.

I recall well the criticisms from both parties back around 1972, it seems to me, when it was created. I cannot be sure which one was the most vocal. Both said, though, that the ministry had almost been created for a person rather than as a function of government, a natural emanation of government. A lot of criticisms were made that too much authority was being put in one place.

I like the present division and I say that after two years of observation. The Treasury has become a policy ministry as opposed to a combination of a policy and an operating ministry. That is very important because, in dealing with most ministers, the Treasurer has to have some critical rights in terms of their policies.

Obviously, it is difficult to compete with a fellow operating minister for funds when one can, in effect, make decisions relating to one's own sphere of operations, always saying, "Mine must be more important because," so I rather like the switch to a policy function. Nothing has occurred to make me think that was not a wise move at that time.

10:30 a.m.

As to whether federal-provincial relations should be returned to Treasury, I would say the jury is still out on that. I would rather watch it a while.

Across the summer, if one looked at the meetings held in various locations by all the provincial governments and the federal government, I think you would find most provinces had someone whose responsibilities were similar to 'Tom Wells' but who really was not the treasurer or the minister of finance of that province, so it is not as if Ontario was the odd man out in that exercise. Treasurers in one or two cases were involved and in more cases were only peripherally involved, as I was.

I would say it is important for Treasury to be involved in all those financial discussions that go on with the federal government. As yet, I would like to reserve my thoughts as to whether its role needs to be beefed up in that area.

One other thing that has been construed as a weakness in the last year or two has been the fact that—you referred to it, I think, in your opening comments—we have seen a number of Treasury staff going to other ministries. I look upon that as being the opposite. When other ministries were looking for good people, Treasury had done a better job, in my opinion, of having depth and training and, let us say, a training in a milieu that allowed a person to have a broader vision of government, a broader understanding of the functions of another ministry so that we were, as the Ministry of Natural Resources has been to some degree, a repository of a good deal of talent.

Hopefully, that is something one wants to see within a government, that one is bringing people up quite quickly in a ministry like Treasury where they are looking over almost everyone's economic policy and then, as promotions pop up in other ministries, we should be in many cases the logical source of some of those brighter people.

I recall talking early to my deputy about that and saying, "Am I being raided or do we just have the best talent around?" If we did not have more younger people taking those places, I would worry. If we are training people, and this is a natural progression, to fill more senior

positions so be it, because we do not have that many spare positions in our ministry and people look abroad to other ministries to get promoted. I would rather have a few friends in camp in other ministries than the opposite.

The last thing has been a matter of style. I made a conscious decision when I became Treasurer to change the visibility of the Treasurer and I am sure, Mr. Peterson, you will say I have succeeded very well. Operating ministers in the House day after day have to bear the slings and arrows of criticisms of their programs.

Mr. Epp: That is why you use your plaid, is that it?

Hon. F. S. Miller: That is my one exception each year. That is my night.

It is important that operating ministers who have programs that may be closely related to or even created by Treasury, like the employment development fund, need to be recognized as the minister's first natural function relates to those grants.

Like all politicians, we like to be present when things are going right, but I sense if an operating minister is going to be asked to stand up and take criticisms when things go wrong, he also has certain rights to get credit when things go well. I would hope that within a spirit of government, within a government context, the degree of co-operation one can achieve is improved when one works that way. That has been a conscious, if not accurate, but a very conscious approach by me in Treasury.

Mr. Chairman: Just before Mr. Peterson continues, I also was awake a good part of the night thinking about the comments of Mr. Laughren and I do not want to put his nose out of joint. I think it makes more sense just to have a general discussion at first with the critic for the Liberal Party and have the Treasurer respond to his inquiries, instead of having a preamble. I think personally it makes more sense to have the Treasurer respond to the questions as they come up.

Is that agreed? Do you follow me, Mr. Laughren?

Mr. Laughren: I do not understand what you are saying.

Mr. Chairman: Instead of Mr. Peterson having a 10 or 15 minute statement with the Treasurer making notes and then responding to each question, the Treasurer will respond to questions as they come up. Is that agreeable?

Mr. Peterson: Just on the subject, Mr. Laughren, If you want to talk about this subject, why don't you jump in?

Mr. Laughren: No, because in my leadoff I say it all.

Mr. Peterson: Then everyone forgets it.

Mr. Chairman: As long as you do not mind. To me it is more fruitful and I enjoy it better when you bring up questions.

Mr. Peterson: I would like Mr. Laughren to give us a written copy and dispense with the reading of it, if he possibly would.

Getting back to that, it seems to me from reading the press reports, and I do not have much more information on that, it does not seem to me we are taken as seriously as we used to be when you have your discussions with the federal minister, albeit Mr. MacEachen is an enigmatic man and obviously has a high degree of low animal cunning.

Mr. Laughren: For a potential Liberal cabinet minister you are talking pretty loose.

Mr. Peterson: Thank you very much. There is my campaign manager speaking right there.

The statement you took to him I thought was really quite puerile. I told you that before. It was sort of a little boy lecturing a great big guy and you are not going to get any particular results.

It was incredible. Out of one side of your mouth you were saying he has to cut the deficit, admonishing him for being wasteful—albeit the federal government deserves a lot of that criticism—and at the same time you were arguing for a stimulus sales tax cut. You know my view on those, I think they are basically ridiculous, but I will get into that in a moment and I will certainly get into it next Thursday night if you decide to bring one forward.

It did not appear to me your advice to him was very constructive or, frankly, that he took you very seriously. That is quite a change from the old days. When Ontario roared there was a response from Ottawa.

Again, I do not know the reason for that. Maybe it is a function of the players. Maybe it is because the players have changed. I think it is important we get back to having some kind of national voice in economic policy. Maybe if you had the strings of federal-provincial affairs in your hands you would have more clout there.

There is no question that, politically, Ontario has become a major ally of the federal government through the series of events in the past six months or so and it seems to me you have some cards to call. It is impossible to dissociate the constitutional aspects of this whole discussion going on from the financial aspects, the revenue-sharing aspects.

I have said before I think Ontario was incredibly juvenile on the whole oil pricing matter. I

was criticized at great length by the Premier for saying since 1976, "Oil prices are going to rise and there is nothing you or I or anyone else can do about it." The Premier came into my riding in 1977 and he said to all those fine people of London Centre, "You just go and tell everybody that David Peterson wants to put the oil prices up and that will run him out of office."

He has always appeared as being against the tide of history and against the inevitable. It is no wonder he looks silly to people out west and everywhere else because it is a known fact they are going to go up. The whole discussion should have been about the distribution of those moneys.

I thought you made an excellent speech to the bar association in Calgary. I thought it was the most insightful speech you have given in your whole life. I thought you recognized the realities of the situation but that was the end of it. I did not see any more results.

I would like to see you, as Treasurer, using the national clout you should have—unfortunately I do not see you as having it—and entering into a discussion that would have been more helpful, not only to you but to the federal government and probably the producing provinces too. When I see that lack of ability to affect events on a national scale, that brings me to call into question what is transpiring at the present time.

I am mixing up a whole bunch of points at once. I am not being very logical and for that I apologize, but I think you should have concentrated all your fire and your clout on the revenue distribution question, the revenue-sharing question.

10:40 p.m.

I think you could have been far more helpful four years ago, five years ago, or six years ago on that question than you have been. It is just now that the federal government has unilaterally exercised its power to effect what I consider a more even distribution of those funds. I have some doubts about how they are going to use those moneys, but at least it is a step in the right direction.

You could have been helpful to them. I don't think you were, because you just came out as so negative, so pro-consumers of Ontario—and obviously we have to think about them, but we have to think of what is going to happen five years from now too. I don't think you played your national hand well. I don't think you did; I don't think the Premier did. And I am kind of disappointed because I think the results are bad and you are were a major player on that theme.

Hon. F. S. Miller: There is a big difference

between the public posturing of governments and the personal diplomacy of governments. In fact, if one went away from the topic you are discussing today, the pricing of oil, and went into the constitutional debates that have been going on all summer, but particularly through September and October, you would discover the private position of even the western provinces on patriation and entrenchment of rights is quite different from what they are publicly portraying. And they are using what they believe to be their public support for some of those issues to negotiate what they really want, which is revenue sharing.

The paper we gave out west—and it was one I had a large measure in writing because I felt it was one of my more important stands—was as honest a statement as we knew how to make it at that time. I think anyone who assumed Ontario truly believed the price of petroleum was not going to go up was living in a fool's paradise.

I have worried since 1949—we had not found the Turner fields then, or at least we had not found the Leduc field, I guess. They had 20 years' supply of oil in the world in 1949 and I remember as a chemical engineer wondering what I would do after I was about 45 because I was heavily tied to that industry. Of course, we went on and found a lot more oil in the world. I guess I have had more of a nagging concern about petroleum and our whole global economic dependence on it than many people because of my background.

The fact remains, as politicians, we use the negotiating strengths we have to achieve the objectives we want to achieve. In our case it was a strong central government, a fair share of oil revenue to that government, to be used in the interests of consumers across the country. That kind of thing did not grab many people on the street. I think you would buy that. It will as time goes on, but it does not on any given day of the week.

Mr. Peterson: But that is not what came across.

Hon. F. S. Miller: I am not arguing that. I am only saying that the person who is buying a tankful of gas does not really give a darn who got the money. He knows he spent it. He is preoccupied with the cost of the product he is buying. The person who fills his house with fuel oil is not concerned about which government gets it. No matter how much that may affect their wellbeing, it does not relate directly to them; neither can they see a personal connection.

So governments since time began have used the politically acceptable tools to negotiate for

the things that are in the long-term interests of their people. And I think we were doing that quite effectively.

One of our problems lately is we have been—just the opposite of what you said—so successful achieving Ontario's point of view at the federal scene in terms of the constitution, that we are now accused of being in bed with Trudeau. We can historically document that in fact he came to our point of view—I think he would buy that—if one went back. My party people don't necessarily. You know that too.

I would argue the same is true in Mr. MacEachen's budget. No other province went to Ottawa on September 19 with any suggestions for Mr. MacEachen, really. Only Ontario came forward with a paper. You may call it puerile—fine. We did say he had an objective to reduce the deficit. I hope you accept that. We said it should be done by a combination of factors, one of the major ones of which was access to oil revenue.

We got into long discussions behind the scenes as to whether we should put forward specific price increases, specific sharing formulae. He decided that really was not Ontario's duty, the negotiators were Alberta and the federal government, but the final result was much to our interest. We needed to see the federal government gain access to that revenue.

If it was going to go to government, surely the central government has rights to some of it in the interest of all Canadians, without adding it on totally to the price of the product. There seems to be enough floating around to do both those objectives, so we stated that in my paper. "Gain access enough to cut your deficit to somewhere around"—I think we said 12 per cent of spending in the paper we put forward. We said you do the rest by controlling the rate of growth of spending.

Again you would accept the fact that their rate of growth of spending has exceeded ours on a percentage basis considerably. I don't know whether it is as easy to control as ours or not. But ours was not easy to control.

We took a great deal of criticism for what we believed was sound fiscal management and economic approach by cutting back on government spending, all the while hearing about what we were doing to services in communities, jobs in communities, and so on. I think in your heart you agree with me on the things we did at that time. We only said to the federal government, "That same kind of rather painful approach can now be undertaken with a four-year majority government ahead of you."

Last of all we said, "You have an immediate

problem, and that immediate problem in eastern Canada, with our dual-headed economy"—and this we were stressing "was the unemployment and of course inflation, with the unemployment as the most immediate problem." Whether we like it or not, governments have some responsibility to take steps to try to stimulate jobs during times of high unemployment and in areas of high unemployment. We argued that no one policy would work right across the country, therefore they should direct some of their activities towards the east. And I don't think that was so bad.

Mr. MacEachen did reject the sales tax stimulus, not because he did not believe in it—in fact I believe he even says he does believe in it at some point—but because he did not have the fiscal capacity to do it. I understand that, but we thought we were showing them, with the access to the oil revenue, that he could do it for a short while because the impact of unemployment on people in this province is severe, and we felt we needed to share in that.

Mr. Peterson: The whole response has always been these short-term tiny plans, "Move out the inventory in February," and you always find these major distortions at election time. There is no question in my mind your mini-budget next week, or whatever it is, directly relates to the Carleton by-election. It is so patently obvious.

The most distorted budget ever presented in this province was in 1975—it was not you, it was McKeough—against which you always lay your comparisons, and you say, "Aren't we doing so much better than we were in 1975?" It was a fiscal abomination with a deficit of \$2 billion, with half a billion dollars' worth of giveaways and sales taxes and home owners' grants, and God knows what else at election time.

I don't know what you are going to pull out of the hat next time. Obviously, with your last budget you thought there was going to be an election when you went into the cheques for the nice old people and stuff like that, which I will get to in a moment. But I just see it as one more superficial fooling around with the system.

It seems to me our problems in this country, in this province are obvious. They are structural and they are deep and they are profound, and if we don't address them in a serious, meaningful way, meaning investing in things that generate an economic rate of return and consequently employment over the long term, then we are just postponing the inevitable collapse of our system. It is that simple.

I say to you respectfully that hauling off the sales taxes for two months, three months, particularly at Christmastime, is just stupid, when

we import a very high percentage of our consumer products. I just think it is completely the wrong way to go. I support the kinds of programs that involve investment in our infrastructure, in our productive capacity, in research and development, in engineering, in job creation and in our manufacturing base here, but those are the only kinds of worthwhile expenditures.

10:50 a.m.

One of the reasons we are having these problems today, it seems to me, is that these kinds of approaches were not taken five and 10 years ago. Now that things are serious and there are no immediate prospects—Let's not kid ourselves; when you look ahead over the next five years, you cannot see a hell of a lot of light at the end of the tunnel. The only light you see is the train heading for you.

We are not sitting here kidding each other, saying, "There is going to be a great bonanza for this province five years from now." No one is expecting oil in James Bay. Unless we solve our own problems, no one is going to solve them for us.

I say to you: Whatever revenue you give away by a sales tax cut or some other fooling around to solve a short-term problem is ill-spent revenue. That should be done on the fundamental, basic, structural retooling of our industrial infrastructure. I am sure we are going to talk about this at great length later and I do not want to turn the whole conversation on this now. I know my friend from Nickel Belt will have a lot to say about this, as will I later on.

When we are fighting for finite resources you have to look very hard at your tax expenditure side. You have to look at your forgone revenue. I think there are number of places where you can take those moneys and invest them in productive ways. There are a number of ways you can do that. I have always argued that one of the ways is through the Ontario Energy Corporation. There is a place for a swinging entrepreneur to make major investments on behalf of Ontario in self-sufficiency of energy, for example. That is something that can be beefed up and a lot done with it.

There are other ways it can be done, through enterprise corporations, through using the capacity of our universities for research and development and all that kind of thing.

But your sort of bland reliance on the private sector to do those kinds of things I do not think is going to work. As much as I consider myself basically pretty conservative financially, inasmuch as I believe we do not have the right to outspend our capacity to raise revenue at any given point in history, there is a time now when

certain investments are going to have to be made so we can secure some sort of economic future for our children.

I just think you are going at it the wrong way. I think you throw up your hands. You see the problem as so immense, you say, "Oh, God, if I get involved in that, it is just too big a problem." You have to start somewhere and there are a number of places you can start, because I can tell you, every other country in the world is addressing its mind to these problems. There is not another jurisdiction in Canada, in the United States, in North America or in the free world that does not look at its own economy and say, "Where are we going to be five or 10 or 20 years from now?" And they are planning for it.

I have talked about this before, because I happen to know something about it. The Japanese are going to steal, from right under the feet of the United States and Canada, the major industries that have made them big.

Look at the car industry today. On the west coast of the United States something like 50 or 60 per cent of the cars are Japanese. The average in the United States is something like 28 per cent. In Canada—what is it?—15 or 18 per cent of the cars are now Japanese.

Hon. F. S. Miller: Over 20 per cent now.

Mr. Peterson: You cannot tell me that was not without some co-ordinated kind of approach between business and industry. I will talk about this more later, but they are going to nail the semi-conductor industry; they are after the computer industry; they are fighting as hard for the electronics industry as anyone else—and the more sophisticated applications of it.

We are naive to think these things are not going to happen, that other people are not just as smart as we are and are not going to fight just as hard for these kinds of things. With a general reduction in tariffs, we are just opening our market up to a lot of people who are a lot tougher and more sophisticated than we are.

Do you want to respond to that now?

Hon. F. S. Miller: I guess I find it a bit frustrating because I am not sure the Liberal Party of Ontario and the Liberal Party federally share the same philosophies. But you have to agree that the basic changes in those tariffs were negotiated by a Liberal government and that the present spending patterns of the federal government were done by a Liberal government. I guess I keep saying, "If, in fact, you are a Liberal, and you are—"

Mr. Peterson: Frank, let's just solve one problem now. Did you like John Crosbie's excise tax?

Hon. F. S. Miller: No, I didn't. I said so very clearly. I didn't try to stand up and pretend I did.

Mr. Peterson: I don't try to stand up and pretend I like everything about them. Some things I do; some things I don't. You can't hang that guff on me, just as I can't hang the excise tax on you.

Hon. F. S. Miller: Oh, come on. You cannot tell me your party in Ontario has some hidden capabilities as a Liberal Party that have not been exhibited for 25 years in Ottawa. Frankly, most of the things you try to hang on us were those things the federal Liberals have not done.

I have nothing to do with tariffs and trade. What is the use of telling me that we in Ontario were the negotiators for that, when, in fact—

Mr. Peterson: I did not say you were the negotiators.

Hon. F. S. Miller: Look, we are naive. I buy it; I completely agree. I do not like to see the Japanese coming in here and replacing our products, whether it is because they have earned it or not. The fact is I think three per cent of what they buy from Canada is manufactured product. They just do not tolerate "free competition" in their own jurisdiction.

At the same time, I would argue that the kinds of discipline and control they have over their people and their economy is unacceptable to North Americans, whether US or Canadian. We have grown up believing in our independence and our rights to make our own choices. We have not been willing to let governments impose upon us the kinds—

Mr. Peterson: Have you been to Japan?

Hon. F. S. Miller: No, I haven't.

We have not been willing to let those kinds of disciplines be imposed on us. That discipline, without question, is having an impact.

I have very real concern. I sense that the Americans will have to take steps to protect their market on the automobile side. Certainly, the Ford Motor Company has requested them to do so. I think the United Auto Workers has requested them to do so, when they are running at—what?—28 per cent or 30 per cent of the US market that is currently imported and about 21 to 23 per cent is from Japan.

Mr. Peterson: Fifty-six per cent on the west coast. It's staggering.

Hon. F. S. Miller: To me this is a very real concern. I sense we still have the technical abilities to compete. We suffer from the fact that some of the major industries in North America—steel, in particular, in the States; the automobile industry to a large degree—are

some of the oldest in the world and, therefore, are suffering from the problems of age.

Now, we do not have that trouble with Canada's steel industry, neither, to a large degree, with Canada's automobile industry. But the fact is we cannot afford to keep on allowing the unrestricted importation of those products if we expect to have an industrial base.

I share your concerns. I do not think you and I are arguing about the worry here.

Mr. Peterson: The only response we have had so far from your government is the new sales manager for Lada, Bill Davis, saying we might want to cut off these commie cars. As soon as he said it, I understand the sales of Ladas doubled in this province.

Is Davis on commission with Lada?

Mr. Ashe: No, I get a commission; it's in my riding.

Hon. F. S. Miller: I think they raised the price shortly after that, from \$4,288 to \$4,495.

Mr. Peterson: Every time Bill Davis opens his mouth, it's inflationary, for God's sake. Tell him to be quiet.

Hon. F. S. Miller: But do you agree with Ladas being sold here at one third of their home price?

Mr. Peterson: Then bring an action for dumping.

Hon. F. S. Miller: But what level of government does it and who can do it? I have checked that completely.

Mr. Peterson: Talk to the industry to bring—

Hon. F. S. Miller: I have done just that.

Mr. Peterson: And what do they say?

Hon. F. S. Miller: In fact, they would argue that the present federal anti-dumping rules are so complex that by the time they are heard, people will have worn out the Ladas they have already bought. That was their answer.

Mr. Peterson: Have you urged them to change the laws?

Hon. F. S. Miller: I have urged them to do just that. I sent two or three letters to Mr. MacEachen very early in his career as Minister of Finance.

Mr. Peterson: Obviously I do not support dumping, but the Lada problem is so insignificant in the total play.

Hon. F. S. Miller: Sure, I think it was 13,000 they sold last year.

Mr. Peterson: Didn't you mention at one point that maybe we should consider restricting Japanese imports for their dumping?

Hon. F. S. Miller: I have said that, yes.

Mr. Peterson: And what has happened?

Hon. F. S. Miller: I would have to go back and read the letters we sent to Mr. MacEachen in March and April, I guess it was. I would be glad to look them up, if necessary, during the course of my estimates and tell you what we said to him. But we gave him some specific advice on that area.

Mr. Peterson: Anyway, we have to look at this whole problem, the context of Ontario and the jurisdiction of an area and what you can do. Obviously, one of the things you can do is hoot and holler about the federal government, which you do and which I do on occasion. I am not suggesting they are perfect by any stretch of the imagination. But in that context we have to look at what is attainable and possible for the province of Ontario, because, there is no question, we are under threat.

11 a.m.

I have heard senior bureaucrats in a social situation—and I don't want to quote them because they are people I have a high degree of respect for—saying things like, "Gee, the federal government really has it in for Ontario."

I am talking about these sort of closed negotiations over various projects. They really feel they have a tough time with the federal government: "They feel Ontario has got enough over the years and now they have to spread the wealth." "They are really making it difficult to do things in Ontario." Now, that may or may not be the case, but I have heard those comments. We have to fight for our own jurisdiction. Our responsibilities are here; they are different from Mr. MacEachen's or Mr. Gray's or anyone else's.

Given our situation, there is an awful lot we can be doing that we have not been doing by way of building our own industrial infrastructure. I think your hands-off approach is starting to run out of gas. That is all I am saying. But I want to get into more detail on this later.

Hon. F. S. Miller: I was just chatting with my deputy, because we have had certain successes. You have seen de Havilland decide to put its Dash 8 facility in Ontario.

Mr. Peterson: That wasn't a hell of a lot of credit due to you.

Hon. F. S. Miller: Oh, come on, now. If you recognized the pressures that were on the federal government to move that out of this province and the pressures we put on them. We didn't stand up on the street corner and yell. The fact is we did a lot of quiet infighting, if you call it that, or discussion, to hold that in its logical place.

I am sure if one had asked the de Havilland corporation itself where the logical place to build the plant was it was in Ontario; not necessarily at the present site because they have some problems, but somewhere within Ontario. They had very few prerequisites: an airfield, obviously; hopefully, a university nearby; and, hopefully, not too far from their main plant.

I believe there were pressures from Manitoba to a large degree, and Alberta. At one point the rumours were out that they were going to come in and Joe Clark had it up for sale. There was a minister from Alberta down here, I am reasonably sure, trying to buy the whole operation to take it out west.

We had some very stiff negotiation to hold that operation in Ontario. I think there are 5,000 jobs at Downsview. I forget the exact number for the Dash 8; 2,000 to 3,000 more, somewhere in that range, that were coming up, that are maintained here. That is a success story, not a failure; best done behind closed doors in many cases.

Mr. Peterson: Just because it's 11 o'clock and Floyd probably wants to get at you, I do not mind.

Floyd, do you want to go at him now for a while?

Mr. Laughren: Whatever suits you.

Mr. Peterson: I have a lot more but if you want to, go ahead; we have lots of time.

Mr. Laughren: I will take most of the rest of the time until—

Mr. Peterson: Are you going to talk for an hour?

Mr. Laughren: You talked 40 minutes. I thought I would do the same. If the chairman were here, he would rule that was appropriate. Are you finished then?

Mr. Peterson: Go ahead, Floyd.

Mr. Laughren: I thought the last comment of the Treasurer was interesting. When he succeeds in keeping something here, it is a major success. That is a very interesting change in attitude towards the definition of success and what makes Ontario tick.

Hon. F. S. Miller: That was because governments were going to make what was an inappropriate decision based upon the demands of the western provinces. All the economic factors favoured Ontario. Two or three years ago without the power of the western oil we would not have had a problem.

Mr. Laughren: I understand that. I am just saying that you still regard it as a success when you keep something that is already here.

I do not want to be unduly harsh or provocative and not at all personal in my remarks, but when I look at your leadoff statement and compare that to the tome presented to us by the Ministry of Industry and Tourism in bound form—it was Larry Grossman in bound form: slick, glossy, fast-talking, hard-sell—when I look at this I must say I find you easier to live with than the Minister of Industry and Tourism.

Hon. F. S. Miller: Low budget.

Mr. Laughren: Yes. Well, someone has to practise the restraint you preach, I understand that. It is not going to come from the Ministry of Industry and Tourism. I will make some comments as we go through about “the boy who would be Treasurer” called the Minister of Industry and Tourism.

Mr. Chairman, I would like to make a few brief comments on the Treasurer’s opening statement.

He says the supplementary actions which he intends to take a week from tomorrow “will contain the government’s response to the cyclical problems of the economy.” That statement says something.

One, it says he still believes the problem of the Ontario economy is cyclical, which is fundamentally wrong, I believe; and second, that he is going to take some action on it. Even though it may be misguided, he is going to take some action on the cyclical problems. We will be looking very closely at that.

He talks in his third paragraph about the stability of the province. He is proud of the stability of the province of Ontario. I guess the minister is not laid off or he would not be feeling so smug about how stable the system is.

He says, “I have looked at most of the so-called comprehensive industrial strategies, for example, and find that few of them can be implemented without the creation of massive debt burdens for future governments.” I do not know what he is talking about.

Is he assuming that an industrial strategy only creates debt and not wealth? He contradicts himself because a couple of pages later he talks about public sector investments that created wealth when he mentions the schools, universities, new roads, and so forth. I think there is a lack of consistency there.

On page two of his statement, he says, and this is really what lies at the heart of the Treasurer’s philosophy: “In my philosophy, governments are not the natural creators of technology and jobs: only individual free enterprise working within an effective business climate can truly tackle that immense and complicated task.”

I only have one simple question. Why the hell

have they not? What has gone wrong? They have had the opportunity.

Then he says, “That is why you will find me reluctant to pursue instant cures.” I do not know what the Treasurer regards as an “instant cure.” The member for London Centre pointed out quite correctly that the Treasurer is the one who engages in instant cures, like cutting sales tax to clear out inventory of last year’s automobiles. That is an instant cure.

Hon. F. S. Miller: I would be glad to revert to my job as Minister of Health and give you a cure right now.

Mr. Laughren: Listen, my name is not George Brett. Stay away from me.

The Treasurer is wrong when he talks about the public sector only absorbing wealth. It really can create wealth and the Treasurer admits that. I wish he would maintain some degree of consistency.

On page four, he is talking about government restraint and their share of provincial expenditures. He says, “this cutback has been achieved without seriously jeopardizing social services and other essential programs.” Two points: one, it is good to see him use the word “cutback,” which his colleagues deny exists; and two, to say that the social services and other essential programs have not been seriously jeopardized is an absolute fabrication. It is total nonsense.

You cannot substantiate that kind of statement. You are better off not making it; just say you have made some cutbacks and you live with them. But why carry it to that degree of silliness and say there has been none?

He talks about the provincial local sector on page seven of his statement. I did some very brief checking, in no great detail, but I was looking at the amount of money the province provides to local government. I think this is the latest edition of Local Government Finance in Ontario, 1978. It was about a year ago, so presumably there would be one coming out in the next short time. If there is one out, I have not got it.

In that he talks about the percentage of total spending in the province, provincial assistance to the local government, and that is school boards as well as municipalities, between 1975 and 1978—the only figures that appeared in there—which dropped from 43.5 per cent in 1975 to 40.4 per cent in 1978. I call that a decline, not even maintaining the level of support.

When the Treasurer talked about his balanced budget objectives, he said, “from time to time it is necessary for the government to take specific discrete steps to ensure that the short-term fluctuations in activity many of which are

the result of external shocks, such as the oil price increases during recent years, are smoothed out." The operative word there is "discrete." I assume he is talking about EDF grants there. I assume he is talking about a sales tax cut. I do not know. I assume that is what he calls discrete.

11:10 a.m.

Then he says: "The balanced budget objective is still the cornerstone of our long-term fiscal planning. It is, if you like"—I am glad he gave me an option—"the framework for our long-term economic strategy." Some day there will be a requirement, I hope, that the Treasurer of the province, whoever he might be, will be required every year to present a long-term economic industrial strategy for the province because we have certainly never had one from this government.

We know the performance of the Ontario government is weak. The Treasurer acknowledges that. We know that this year the personal income tax and the sales tax revenues are down, with about \$88 million projected for the year, and that corporation taxes are going to be up.

The Treasurer is always optimistic. I was comparing some of his projections with what the Conference Board in Canada says is going to happen. In every case, the Treasurer's predictions are more pessimistic than those of the conference board. I know the Treasurer will immediately climb all over me and say his projections are more accurate than the conference board's.

The conference board made a serious mistake in the last year or two with its job-creation projections for Ontario. The Treasurer is quick to climb all over them but they are a respected and credible forecasting organization. The Treasurer needs to pay more attention to them.

I agree with the Treasurer, I might add, that the federal budget brought down last week is simply an energy statement. I think the Treasurer is absolutely correct in bringing down supplementary actions, as he calls them, next week.

I issued a release that night which called for a mini-budget within six weeks. I was going to say a month and I thought I had better not say a month because it does take time to do these things, I had better say six weeks.

My first instincts were to say a month. You can imagine how flabbergasted I was when you came out with your statement that you were going to bring in supplementary actions within two weeks. I was astounded. I thought the Treasurer was either more efficient and on top of his job than I had ever given him credit for or there was a by-election somewhere in the province, and I will let you—

Hon. F. S. Miller: Or both.

Mr. Laughren: Or both. Yes, I suppose I should not rule out that possibility.

The Treasurer talks in his remarks about the equity of the tax system holding down tax increases; that because of restraint, he has prevented massive tax increases in Ontario. I would say it is a good job you did because individuals already are taxed higher in Ontario than in any other jurisdiction, bar none, in the—

Hon. F. S. Miller: I may have to repeat those statistics.

Mr. Laughren: You go right ahead.

Hon. F. S. Miller: There are two little things I would like to put on the record because, when you make a statement like that, I think I have a right to correct it. First, the per-capita spending of the provincial-municipal combined total, in Ontario, is the lowest in Canada.

Mr. Laughren: Per capita?

Hon. F. S. Miller: The per-capita spending of the province and municipalities combined is the lowest in Canada, in absolute dollars and as a percentage of gross provincial product.

Mr. Laughren: Maybe that compounds the problem of people being the highest taxed.

Hon. F. S. Miller: No. The spending is the lowest. One could have lower tax rates and higher debt rates.

Mr. Laughren: But the taxes would go higher then.

Hon. F. S. Miller: The procedure they have used in Ottawa is to keep tax rates low but let deficits climb. I would have to check but I think it is something around the range—my staff can look in our budget book—of \$1,958 per capita by the last figure we had and 25.2 per cent of gross provincial product is spent for the combined total.

The second lowest province in terms of percentage, as I recall, is Alberta with something like 26.5 per cent of spending but, on a per-capita basis, something around \$3,500 per capita—almost twice the dollar figure per capita for their spending. I point that out because we saw them get the credit for—

Mr. Laughren: No.

Hon. F. S. Miller: Can I look at the budget to give you the exact figure, because I think it is important to have that figure accurate in the record? Maybe they can tell me the page it is on. It would help.

Mr. B. Jones: There is a table on page 15 in the budget.

Hon. F. S. Miller: That is not the one I was looking for. Anyway, we can get you the actual

table. I had it not long ago. Someone will find it for me and we will read it into the record.

Mr. Laughren: Let me give you a more meaningful table. You will pardon me for having a layman's approach to taxation and the whole question of equity. I look at the person out there, the taxpayer of Ontario, and I see that person having no discretion over some things, such as the taxes he pays based on his income, such as the tax rebates he can claim and health premiums—which are compulsory and should be, it has to be compulsory one way or another.

I look at that. We leave Quebec out because of complications there. Of the nine remaining provinces, Ontario ranks number one in taxation of individuals. I want the Treasurer to hear this. The deputy knows everything the Treasurer does now anyway so there is no sense them communing.

Add together personal income taxes, tax credits and rebates and health premiums. The Treasurer surely would agree those are personal taxes on people, no matter where they live in this country. For a family with a taxpayer whose income is \$15,000, claiming a spouse and two children—the same property tax is paid and the same retail sales purchases are assumed—we find the Ontario taxpayer pays significantly more than any other taxpayer in the country, using personal taxes as a measurement of the burden he carries.

That is not even debatable and the Treasurer knows it. He can play all sorts of games if he likes about Ontario's provincial share of 24 per cent of the federal taxes paid. That is meaningless. It is a silly argument because it is the total personal burden that people have in taxes that counts, not some kind of federal-provincial gobbledegook of how it is shared.

There is no question about this. I would like Treasurer to attempt to refute these figures. That simply cannot be done.

When we look at corporate taxation, I look at corporate and resource taxes as a percentage of corporate profits. Surely that is how one measures it. Ontario is the lowest of all the provinces. Of Ontario, Saskatchewan, Alberta, Manitoba and British Columbia, Ontario is the lowest again. It is no coincidence we live in a society where individuals are taxed the way they are and the private sector is not taxed the way it should be.

That is why we have always argued for a reduction in Ontario health insurance plan premiums, because one then takes that money and puts it on a more progressive kind of taxation. The citizens out there are paying for the cost of health care anyway. What we are

saying is, "Do it progressively, not regressively through premiums."

We know Commissioner Emmett Hall said the same thing. He said provinces should abolish OHIP premiums. There was a caveat in his recommendation that the economy could not stand a jolt and it should be done when the jurisdictions could afford it. Our point is they can afford it now because people are already paying the cost. It is simply a case of who you extract the money from.

We had a select committee in this province on health costs and financing. It examined that problem. Remember TEIGA? It prepared some estimates of the implications of moving health care costs from premiums to income taxes and this is what it concluded:

"For pay-direct subscribers, a shift of income taxes would have meant that those with a taxable income of \$15,000 or a total income of \$20,000"—I am using taxable income—"or less would have been better off, while those with a taxable income of \$18,000 or a gross income of \$23,000 would have been worse off."

11:20 a.m.

That conclusion explains why you will not shift OHIP premiums on to progressive taxation. I do not think the people of Ontario need any further explanation. It will tax people in the higher brackets and benefit people in the lower brackets. You simply will not do it. It is not a complicated decision to make, but it is a highly philosophical and ideological one. It does not matter whether you have employers paying a portion of it or not. That can be compensated for by increase in take-home pay to the employees.

The Treasurer is not being direct, if I could use that delicate word, with the people of Ontario when he brags about the cost to the individual taxpayer out there. The cost is good to people in Ontario who earn in excess of, say, \$25,000 a year. The Treasurer understands that. I doubt that he would deny it. But for people under that income level, Ontario is not the place to live if you are concerned about the burden of taxation.

I would like to move to a more general look at Ontario and the Treasurer's approach to running the province. I think his philosophy is the wrong one at this time in Ontario. The last philosophy we need to be governing us is that of Adam Smith.

It is almost as though the Treasurer had one night gone to bed, or jogged in the morning, with a copy of Shumacher's *Small is Beautiful*. I will bet you, if the Treasurer would be honest,

that he really does like that philosophy—small is beautiful and that is the way to look after things.

Mr. Peterson: You guys speak for yourself.

Mr. Laughren: I don't want you to think this is personal, David. I do happen to think that small is beautiful but only in a personal sense.

Mr. Ashe: Little guys always think that way.

Mr. Laughren: Yes. We have to be loud and aggressive to keep even in this world, you know.

The Treasurer has to accept the fact that what makes things move and shake out there now are large entities, not the individual any more. Perhaps he can give me examples, but we know that Horatio Alger is now alive and living in General Motors. The day is gone when you can rely on cottage industries to turn an economy around or to make us competitive in world markets.

Hon. F. S. Miller: This is fascinating.

Mr. Laughren: It is true.

Hon. F. S. Miller: I am not arguing with you.

Mr. Laughren: No. I am sure you agree with it.

Hon. F. S. Miller: Up until today you have been critical of the large multinationals.

Mr. Laughren: You are surprised?

Hon. F. S. Miller: And you are telling me now that you support large multi nationals?

Mr. Laughren: No. I am saying that large entities—you will notice I was using the term "entities"—make the thing go round.

Hon. F. S. Miller: I noticed you used it. What's in a word?

Mr. Laughren: As a matter of fact the multinationals are attempting to erase boundaries between nation states out there because they are not in their interests.

Why do you think people like Carl Beigie want free trade between Canada and the United States? The private sector would love to have free trade. Do you think that the automobile sector is not happy with the auto pact? Of course they are. It rationalizes things in their favour. It is in their interests to erase the borders between nation states. But the Treasurer should understand that simply cannot work because we do not live in a world of equals. It is those big entities that are making things happen.

The Treasurer, even though he might say he agrees, is still prepared to stand back and let other people make the investment decisions for any new investments or job creation in Ontario or the rest of Canada. We think that is simply not valid.

If it was valid, if letting the thing happen out

there—creating the environment, as the Treasurer might put it, to make business welcome to make investments here—if that were true, given our domestic market in any number of sectors, we would be competitive now. We would be competitive in mining machinery and electrical products and electronics and in the automobile sector. We would not be in trouble in all of those sectors if we stood back and just let things happen and expected it would be in our best interests.

But it will not happen that way. It has not happened that way, and we have no reason to believe it will. I would be very interested, when I have concluded my remarks, if the Treasurer would tell me how he thinks these things are going to happen, if he would go into a little more detail.

We know that other jurisdictions are not letting it happen. My colleague from London Centre is quite right. Japan is not standing back and letting its companies determine where the Japanese economy goes. It has not done it since the war. The United States is increasingly moving into that area and, of course, Europe as well.

Strangely enough, the Minister of Industry and Tourism understands that. I would give up an evening of watching baseball to sit in on an employment development board meeting.

Mr. Chairman: That would be a sacrifice.

Hon. F. S. Miller: It wouldn't be in the evening because we start at about 7:55 in the morning, and I recognize you may not be aware that time of day exists, but—

Mr. Laughren: I won't tell you what I would be giving up at that hour of the morning—

Mr. Ashe: Whatever it is, it's very little.

Mr. Laughren: Now that was uncalled for. But I would be willing to give it up to attend one of those meetings because I am sure there must be some head knocking between the way you see things out there and the way the Minister of Industry and Tourism sees things out there.

Hon. F. S. Miller: I converted him.

Mr. Laughren: By the look of his opening statement in his estimates you did not do a very good job of conversion.

But I will tell you, Mr. Treasurer, if it makes you feel any better, these are not easy times for those on the political left or those on the political right.

Hon. F. S. Miller: That's because we are doing such a good job—

Mr. Laughren: No. Let me tell you why. I look at you when you operate, and you must feel very

uneasy, if not compromised, when you hand out those grants to the private sector. I have heard you say you don't like that. You don't like giving Ford money. You don't like giving these companies money. And we—I actually represent the strength and centre, but for the moment I will refer to myself as the political left, given the company I am in—are outraged when we hear you one minute espousing the virtues of this great free enterprise system and the next moment you are giving them a grant and we are supporting you.

You can see we are all caught in a bind in coping with the system out there. It is a difficult time and I think that you, as Treasurer, are trying to walk a line you cannot walk.

You are trying to maintain the private sector as being the mover and shaker out there. You are putting your faith in them, and yet you are being sucked into supporting them and carrying them, in some cases, when you really do not want to, and you have no commitment to it. You end up, therefore, supporting only losers, or people who blackmail you into helping them. That's the problem, isn't it?

You know what Lee Iacocca said on the CBC? I have his comment here. They asked him about playing off one country against another. He said: "I have had great experience with this. I have played Spain versus France and England so long I am tired of it. Ford, when I was there, and General Motors, Chrysler, all over the world, we'd pit Ohio versus Michigan, we'd pit Canada versus the US, we'd get outright grants and subsidies in Spain, in Mexico and Brazil, all kinds of grants. With my former employer, one of the last things I did was, on the threat of losing 2,000 jobs in Windsor, got \$73 million outright."

He didn't even have his figures right for heaven's sake. That's how arrogant he is about the whole thing.

And there you are, saying to yourself, "How did I get into this position of giving these guys money?" You are opposed to it philosophically, you know you are.

Hon. F. S. Miller: The trouble is, in some jurisdictions people with your basic political thought got elected and we had to start meeting the competition.

Mr. Laughren: Where is this?

Hon. F. S. Miller: France.

Mr. Laughren: Oh, I see. I want to tell you that the United States is where the competition and pressure was coming from, not from France or Israel. You said you have given this money, first, because you are being blackmailed, and the next moment you are bailing out a loser.

What an incredible situation to find yourself in. Wouldn't you be better off saying, "Look, if I am in this game with the private sector, I am going to get involved with some winners"? You made the statement, or was it the Minister of Industry and Tourism who said: "We are not going to go with any lame ducks. We are after the golden geese." I am paraphrasing it, perhaps, but that is basically what he said. And here you are, still cavorting with the losers.

Hon. F. S. Miller: Is that what you do at 7:55 a.m.?

Mr. Laughren: You don't know.

Anyway, I understand what makes the Treasurer so schizophrenic. He is basically a free enterpriser, and he is caught. He is either being blackmailed or forced to bail out a loser. That is a very difficult position for anyone to be in. If one of our people were sitting in the Treasurer's chair—you notice I did not say me—we would find it very difficult too. Anyone would find it difficult.

11:30 a.m.

But there is a difference. In one case we would say that we want to be involved in the creation of wealth out there, not just with losers or because someone blackmails us for jobs. That is the fundamental difference. We would end up with a much healthier economy because of it. But that will all come clear to you as I continue my remarks.

The Treasurer is known for his optimism—

Hon. F. S. Miller: You have a great future as a humourist when you return to teaching.

Mr. Laughren: Which you will try to arrange as quickly as possible, I know. I don't think I have a future there. I am much too serious about questions like equity and the public involvement in the creation of wealth and the defeat of Tories. That's my passion. That's what I fantasize about at 7:30 in the morning.

The Treasurer believes that the sun always shines on Ontario; that is really the impression he is trying to create. He said he has tried to create a different kind of role for the Treasurer since he became Treasurer, and he has certainly done that.

He goes through some of the problems in the economy in a speech he made on October 7—perhaps he recalls it—about the state of the economy, and he said some interesting things in that statement to the Legislature. In his speech he said: "There is a bright side. In fact our economic future is far healthier than our present performance appears to suggest." I hope you are right, because you admit that our present

performance certainly says that things are not going well.

Then you respond to the federal budget and make it sound as though we have almost reached the point of no return in your demands that they do something. When you talk about things being good, you say: "Nonresidential construction, although slipping somewhat in the second quarter, has been quite strong. Manufacturing of machinery, production of paper and allied products, printing and publishing, food and beverage industries are some sectors that continue to exhibit high capacity utilization." I could challenge you on some of those capacity figures too, because the capacity of the private sector is lower in almost every major sector now than it was a year ago.

Hon. F. S. Miller: A year ago, right about this time, Mr. Bouey was sitting before the special committee looking into interest rates, arguing that there was absolutely no need to stimulate demand because supply was taxed to the limit.

Now, a year later, one could say the argument is no longer appropriate, that demand does not tax supply at all at this point, that except in certain sectors it will remain relatively buoyant. I thought that was what we tried to say.

Mr. Laughren: Isn't supply and demand wonderful?

Mr. Ashe: That went over his head.

Mr. Laughren: That was very unkind and uncalled for.

Mr. Ashe: It is factual.

Mr. Laughren: The Treasurer talks about investment intentions in Ontario. I will get into that a little later because if there is one area where the Treasurer is—if I could quote Shakespeare—out to lunch, it is the whole question of investment intentions in the manufacturing sector. But I will not get into that now.

On October 7 the Treasurer is telling us that the sun is shining and that there are some clouds there, but basically, "Don't worry, I am in charge and things will be all right." Then he responds to the federal budget three weeks later and it is not quite the same story. He berates the how serious the problem is. He berates the federal government at every turn.

For example, he says: "The high interest rate policy pursued by the Bank of Canada will continue to have the support of the federal government. That means if interest rates rise in the United States, they will rise in Canada and will continue to have a negative impact on consumer demand and investment decisions."

I agree that is going to happen, but what causes the high interest rates? The Treasurer

mentions a little later on that it is the integration with the American economy. At the same time he is making this statement his colleague, the would-be Treasurer, Larry Grossman, is out there trying to get more, trying to make sure that the problem is perpetuated.

Where is your consistency? Do you not have a committee where you talk and you say, "Let us not contradict each other on every turn"?

The point I am trying to make is that you are trying to—I think the member for London Centre used the phrase—talk out of both sides of your mouth. From one side you are saying we should not have this high interest rate policy and this integration with the American economy, and the next minute your colleagues are out there doing more of it and making sure that more of it is happening.

Secondly, you say: "Mr. MacEachen has projected the national unemployment rate will rise to in excess of 8.5 per cent. He does not address how we reduce unemployment. What he does instead is increase by 33 1/3 per cent the level of unemployment insurance premiums. It will cost the Ontario economy \$300 million next year. The budget measures enshrine higher rates of unemployment and increase the costs of unemployed, while at the same time fuelling inflation."

I look at your own position with OHIP premiums. Taxing the sick is what OHIP premiums are, and you do not seem to see the relationship. You still do not see that is a fact.

Also one minute you are saying that he should be doing more and the next minute you are berating him for the size of the federal deficit. You have got to make up your mind.

Hon. F. S. Miller: As an old teacher, you should take the whole thing in context.

Mr. Laughren: Not so old.

Mr. Rotenberg: A young teacher?

Hon. F. S. Miller: A former teacher.

Mr. Rotenberg: A future teacher.

Hon. F. S. Miller: We both shared that honourable task. One should always take things in context. One can always take a sentence and isolate it and I am sure you have learned to do that.

Mr. Laughren: No, I have not. I can quote the whole speech to you but that would be a little much.

Hon. F. S. Miller: I thought it was worth repeating.

Mr. Laughren: I am not trying to select half sentences in here that show you in a bad light. I am trying to show that there are contradictions

in what you are saying. When talking about economic development spending, you say, "If you exclude the western development fund from the economic development envelope, economic development spending will increase by only 15 per cent next year and by less than the projected rate of inflation in the years following."

I look at Ontario's economy—and let us spend some time on what your apparent economic strategy is; you have a three-pronged strategy if I read it correctly. One is to increase foreign ownership—I will put it in a less pejorative way—one is to increase foreign investment in the province; the second is to increase and promote exports through global product mandating; and the third is selected stimulation through the employment development fund. That is how I view your strategy in Ontario and you also have a moderate government procurement program as well. If I am wrong I hope you will correct me, but I see that.

I do not see you addressing the major problem either, which is the whole question of replacing all those massive imports we have in Ontario; not just Ontario, but we are the heartland here. You berate them for all this money out west and not enough in eastern Canada.

I asked you briefly in the Legislature the other day, what have you done about regional development in the province? You have a fair number of tools at your disposition, too, as the provincial Treasurer.

I look at northern Ontario. I do not see a decent response to the problems we are facing in the north. I am not going to be parochial about northern Ontario, but I want to tell you that when Jarvis Clark announced its future expansion was going to be in Burlington, and perhaps other places in southern Ontario, that was because there was no regional development plan in Ontario into which they could plug themselves. There was not a single reason for them to expand in northern Ontario, none.

11:40 a.m.

The Minister of Industry and Tourism talked to them about a Northern Ontario Development Corporation loan. That is not a regional development plan or strategy. They had no reason to expand in northern Ontario.

We need balanced economic growth in the province just as we do in the country, and it takes a bit of chutzpah for the Treasurer to berate the federal government for its lack of regional development plans when he has none in the province himself. That is not playing the game very fairly.

I will give you a couple of other examples. When I look at the iron ore mines, you have no

strategy there, either in the Atikokan area or in the Sudbury area, with National Steel. I look at the Sudbury area with Falconbridge there almost 50 years and they still do not have a refinery. That is part of regional development and yet you do not see that at all. You berate the federal government for not having a regional development strategy, while you have none at all. There is less emphasis on regional development in Ontario now than there was 10 years ago.

Hon. F. S. Miller: The assistance I announced last night in Timmins to a new high dimensional stability particleboard plant was probably four times the investment per job that one would put into a similar facility in southern Ontario. That indicates our willingness to extend our assistance to make jobs and industries possible in the north.

The \$168 million, or whatever the latest figure is, that has been invested by Ontario and the federal government in the pulp and paper industry has gone, to a large degree, I am sure you would accept, into northern Ontario. There are two or three mills in the south, but the great bulk of them were in the north. We could go on and on.

The idea that we have not been stimulating the north—I want to tell you in Timmins last night I saw a city of 40,000 bustling, literally bustling; not an empty hotel room last night in Timmins. Why?

Mr. Peterson: Did you sleep in a manger, Frank?

Hon. F. S. Miller: I was born in one.

Mr. Laughren: The Treasurer misses the point, I guess. The fact that Texasgulf might be expanding, or that the pulp and paper industry needs a new mill, that kind of thing is a fact of life, that happens out there, but it does not happen because of a regional development strategy on the part of this government.

Hon. F. S. Miller: Oh, come on.

Mr. Laughren: You tell me why Jarvis Clark is expanding out of North Bay.

Hon. F. S. Miller: I tried to find some more detail on that. They took over the Jaguar operation, I understand, in Burlington.

A lot of people do not like to analyse the economic factors that go into any specific plant location. I think one needs to look at those to determine whether any amount of government subsidy would influence the decision. It is only when one can justify any plant on a continuing basis that one should invest in that kind of operation. You finished by telling me to invest in winners a few minutes ago, did you not?

Mr. Laughren: Jarvis Clark is a winner.

Hon. F. S. Miller: No argument. Jarvis Clark obviously has a vested interest in staying in the north.

Mr. Laughren: You are missing the point again. One of the reasons Jarvis Clark moved out of North Bay—

Mr. F. S. Miller: They did not move out.

Mr. Laughren: Sorry, they are expanding in the south—is a lack of skilled tradespeople. A regional development strategy does not just include grants. You immediately assume that a regional development strategy means grants to keep them up in the north. That is nonsense.

The argument that Mr. Gray, president of Jarvis Clark, put to me, the first reason he used, was that they could not meet the demand for skilled tradespeople; there is a substantial shortage and they have to have skilled tradespeople in that operation.

The Treasurer does not think that training skilled tradespeople through apprenticeship programs at the various community colleges—and there is a community college in North Bay—is part of a regional development strategy. Of course it is. It is not just throwing money at them to make the problem go away.

I am still with the Treasurer's response to the federal budget. He says, "Our economic recovery is left entirely dependent upon US economic fortunes rather than on the restructuring and strengthening of the manufacturing sector." That is really an outrageous comment and I hope you cleared that with Larry Grossman before you put it in your speech.

Hon. F. S. Miller: I clear everything with him.

Mr. Laughren: Yes, you clear everything with him, because when he is doing what he is doing, and when I hear you making statements like that while he is down there trying to get them to bring more in here and to buy more of us, for you to make a statement blaming the federal government for the amount of foreign ownership which ties us to the US economy is really a bit thick.

Hon. F. S. Miller: That is not what that said.

Mr. Laughren: Of course it is. I will read it to you again. "Our economic recovery is left entirely dependent upon US economic fortunes rather than on the restructuring and strengthening of the manufacturing sector."

Mr. Rotenberg: That's what MacEachen said.

Mr. Laughren: Do you think the health of the auto sector in the United States is not causing our layoffs in Canada? Of course it is. And who

owns the auto sector in Canada? Come on, you know exactly what I am saying.

You heap abuse on the federal government for attempting to Canadianize the petroleum industry.

Hon. F. S. Miller: I did not heap abuse on Canadianizing, I heaped abuse on nationalizing it. There is a difference.

Mr. Laughren: You are going to Canadianize it without nationalizing it.

Hon. F. S. Miller: Yes, I think I could say that.

Mr. Rotenberg: You do not understand the difference.

Hon. F. S. Miller: The two are not the same word.

Mr. Laughren: I understand the difference. I also know that if you look at some of the Canadianized operations in Canada they have not given us the kind of balanced economy we should have either. So are you saying to us that leaving the commanding heights—to use a phrase that the Treasurer would like—of the economy in the hands of the multinationals is going to solve the problem, whether you are talking about oil, whether you are talking about manufacturing or whatever you are talking about?

The private sector, particularly in the resource area, has not served us well. Surely the Treasurer understands that. The return we get from our resources in this province compared to what they get in Saskatchewan, for example, is pitiful. Saskatchewan gets something like almost 23 per cent return, I believe, on their resource production—minerals; I am not talking about oil and gas—and we get less than two per cent. Yet they are always talking about how Canadianized the Ontario resource sector is. So that is no guarantee we are going to get what is right for us.

I agree it needs to be Canadianized, but for you to think that the people themselves should not own some of those resources is ludicrous. Of course they should. The Treasurer may disagree fundamentally, but I guess we will always have opposing views on that point.

The Treasurer operates—and that is a good example—within parameters I think are too restrictive if he is serious about turning things around. He seems to believe that by putting on a little patch here and a little patch there, things will resolve themselves, and when that does not work he blames the federal government. Those days are gone forever.

Mr. Hennessy: And you blame us.

Mr. Laughren: It is fine for the Treasurer to worry about our balance of payments and to

worry about the federal deficit, but when it comes to looking at the underlying causes for both the balance of payments problem and the deficit, he suddenly disappears into the night because it challenges the existing system out there very fundamentally and the Treasurer is not prepared to do that.

I look at our trade patterns in Ontario, and basically we export our resources and our fabricated materials and we import manufactured goods. I never hear the Treasurer expressing great concern that in 1979 over 1978, a one-year period in this country, our deficit on manufactured goods went from \$12 billion to \$17 billion.

Hon. F. S. Miller: Almost all of it in automobiles.

Mr. Laughren: That is a very serious problem. The increase was not almost all in automobiles, that is nonsense.

Hon. F. S. Miller: It did increase in automobiles.

Mr. Laughren: The increase I am talking about—it did not increase \$5 billion in automobiles, that is nonsense.

Hon. F. S. Miller: The parts deficit was very high last year.

11:50 a.m.

Mr. Laughren: The parts deficit was \$4 billion last year, but we are talking about the increase from \$12 billion to \$17 billion. They did not increase \$5 billion. That is a serious structural problem and the Treasurer is not prepared to deal with it.

Do you know what he does? Instead, the Ontario government sends his close friend and colleague, Mr. Grossman, out to stimulate exports as though that was the problem. No one is saying we should not be stimulating exports. Of course we should be stimulating exports, but to assume that is the solution to our problem is ludicrous.

The real problem in Ontario, and not just in Ontario, is the level of imports and the deficit in manufactured goods. That is our problem, but the Treasurer does not deal with it. It is much easier to go out and make a lot of noise, pretending you are doing something by stimulating exports, than to do something meaningful such as replacing all those imports. That would really challenge what is out there now. The Treasurer is not prepared to do that, that is obvious.

How can stimulation of exports be the solution when we do not even have the infrastructure, the industrial structure here to meet our domestic demands? The Treasurer seems to think we can become competitive in world markets and can rebuild the manufacturing sector by

stimulating exports. Surely no jurisdiction has ever gone from being an importer of manufactured goods to being a major exporter without first meeting its domestic needs. I do not know of any jurisdiction that has done that. I would be very interested if the Treasurer could give me one example.

The first step, surely, is meeting our domestic needs in key areas. That is where we begin. But oh, no, the Treasurer and his colleagues send the Minister of Industry and Tourism around the world, as a matter of fact, flogging his profit centre and promoting exports through global product mandating. We think that is simply not the right way to go.

We now face going into the 1980s. This is not an original thought on my part, but we face the grave danger of making the same mistakes in the high technology areas we are moving into that we made in the past in our more traditional manufacturing sectors. I am really concerned about that.

I was reading a small paper called, *The Impact of the Microelectronics Industry on the Structure of the Canadian Economy*, put out by the Institute for Research on Public Policy. This is certainly not a socialist organization. I will read what it had to say:

"In 1964, Canada imported approximately 14 per cent of its requirements in consumer electronics. By 1976, imports met almost 63 per cent of Canadian requirements. In computer and office equipment, imports moved from 56 per cent to about 90 per cent of domestic needs between 1964 and 1976. In the general machinery category the import ratio rose from 65 per cent to 74 per cent.

"In a more specific machinery category, agricultural machinery, imports rose from 76 per cent to 81 per cent. In a country with capital-intensive agriculture as developed as in Canada, agricultural machinery imports of this magnitude are a disaster. Canada is surrendering the economic multiplier effects from an activity which is one of the basic components of the economy. For the entire range of high-technology manufacturers, it is no surprise that import penetration rose from 32 per cent in 1964 to 52 per cent in 1975."

The organizations looking at this thing dispassionately and objectively understand that problem. They understand as well—I will read a couple of quotes to you—that the solution is much more complex than the Treasurer seems willing to admit.

I think this is at the heart of where the Treasurer is making his fundamental error as a steward of the Ontario economy. This is what it

says in its summary: "In summary, it seems that an essential ingredient of an overall strategy that might be adopted by the Canadian federal and provincial governments to ensure our return to healthy growth rates and full employment must involve a planned and co-ordinated effort to develop and adopt microelectronics technology on a large scale.

"Such a planned effort would need to incorporate a series of policies designed to exploit every conceivable point of leverage of public policy. The major foci of these policies would almost inevitably include direct public support for the manufacture of key electronic products; a program of encouragement for their application; a large-scale government procurement policy which favoured the development of an indigenous industry, support for industrial research and development and a reorientation of government research facilities. The provision of the communications infrastructure capable of stimulating electronic information flows should also be a high priority, as should the provision of suitable educational training and retraining programs."

That is from the Institute for Research on Public Policy.

What it is saying is that governments in Canada, including provincial governments, cannot stand back any more. The member for London Centre was implying that but he was a little vague how it should be done. Maybe I am being presumptuous in thinking I know how it should be done.

Mr. Peterson: I have a carefully detailed and worked out plan. We have had it for two years with a lot of significant embellishments since then.

Mr. Laughren: I wish you could convince the Treasurer there is potential because the Treasurer does not seem to believe he can do anything about it.

Perhaps the Treasurer is aware of a study done by the Science Council of Canada called, *A Technological Perspective On Canadian Industrial Underdevelopment*. This was in 1978. I will not go into detail on it, but it made the same comment. It is saying very clearly that we must turn to the public sector for more direct and meaningful effects on the level of demand for Canadian technology.

The day is gone—I do not know how often we have to tell the Treasurer—when he can stand back and hope the system is going to work out for the best. The Treasurer has some serious options in the years to come, in the next couple of years, if he is still here. I think those options dwarf the question of who gets elected or how

he is perceived as Treasurer or who wins the next provincial election.

I am not in the habit of being an alarmist or anything like that but, when you look at the people who are expressing concern, it is not just those of us who are socialists who believe that government intervention is not necessarily a bad thing and, in fact, is necessary, it is people in the private sector.

I do not know whether the Treasurer knows Walter Light. He is president and chief executive officer of Northern Telecom. He made a speech to the Financial Post conference on research and development on October 9. He had some very thoughtful things to say. A lot of what he said detailed what Japan has done and I will not get into that. I think we all know that.

This is what he said: "Heading as we are into what appears to be the most severe recession in three decades, one would expect to hear demands for the strengthening of our technological capabilities. If they were or are being made, the sound of them is at such a low level that I have missed them. What demands there actually are are based on the immediate short-term problem of government job creation"—I hope the Treasurer remembers that—"in the face of rising unemployment, rather than on the more critical long-term problem of the country's industrial future. We are trying to poultice the system instead of moving to cure the disease, which is an uncompetitive economy becoming technologically more obsolete every day.

"This suggests two things. The first, a determination on the part of many to cling to the industrial past because of a subjective fear of the new technologies in the industrial future." That is right for the Treasurer. "The second, a determination as a nation to continue to pursue a course of distributing wealth we do not have instead of concentrating on creating the wealth we need." Amen.

Does that not make sense to you?

Hon. F. S. Miller: The last part makes sense to me.

Mr. Laughren: It makes sense to me too. That is why we are saying to the government that it has been preoccupied. I know you are going to snort when I say this. We do not believe in and we do not make demands for the distribution of wealth we do not have. If we are serious about improving the lot of people, we first must create the wealth to distribute. We understand that. That is why—

12 noon

The Acting Chairman (Mr. Ashe): Giveaway programs galore.

Mr. Laughren: No, that is why we are so insistent on intervention in the economy to make sure we can do that. The Treasurer frowns but, I want to tell you, you explain to me how it makes sense—to use the example the member for London Centre likes so much—that we do not have a more substantial mining machinery complex in Ontario.

How does it make sense that we have a deficit of \$175 million in mining machinery when we are number three in the world in the production of minerals and number one in the world in importing mining machinery? If that does not justify intervention, tell me what does. Tell me that would not create new wealth we could then distribute in a proper way.

Would it not? Surely, one reason governments are in place is to do that. I do not think there is anything radical about that. I do not

think there is anything irrational. That ties in with regional development, ties in with job creation, ties in with wealth creation and then, ensuing from that, the distribution of it. I do not see anything there that should offend the Treasurer or his government. The creation of the mining machinery—

The Acting Chairman: Are the member's remarks just about concluded or does he wish to resume at two o'clock? I understand there has been agreement to adjourn at noon because of other commitments and to recommence at two o'clock.

Mr. Laughren: I had better resume at two o'clock because I do not think I have convinced the Treasurer yet.

The Acting Chairman: Not too likely.

The committee recessed at 12:02 p.m.

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Ontario

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Publication

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Legislature of Ontario Debates

Official Report (Hansard)

Standing Committee on General Government

Estimates, Ministry of Treasury and Economics



Fourth Session, 31st Parliament

Wednesday, November 5, 1980

Afternoon Sitting

Speaker: Honourable John E. Stokes

Clerk: Roderick Lewis, QC

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LEGISLATURE OF ONTARIO

STANDING COMMITTEE ON GENERAL GOVERNMENT

WEDNESDAY, NOVEMBER 5, 1980

The committee resumed at 2:09 p.m. in room 228.

ESTIMATES, MINISTRY OF TREASURY AND ECONOMICS

(continued)

Mr. Chairman: I see everybody is here who should be here.

Just to let the committee members know, I also have the privilege of sitting on the select committee on plant shutdowns, and I am trying to run in periodically just to catch the flavour of what is taking place there. I am sorry I am not here all the time.

Mr. Laughren: The Treasurer should come.

Mr. Chairman: He has been asked to come. Are you coming to our committee?

Hon. F. S. Miller: Tomorrow.

Mr. Chairman: Tomorrow? Terrific. The Honourable Larry Grossman was there this morning. Remember, the man who would be Treasurer-Premier or whatever?

So here we are happily gathered again together. If I recall, Mr. Laughren had the line of questioning. Are you finished? Are we going into vote 901?

Mr. Laughren: No. I had completed my introductory remarks, Mr. Chairman, and was about to launch into the main part of my leadoff.

Mr. Peterson: Was that just a preamble?

Mr. Laughren: I was just responding to the Treasurer's opening statement. When you represent an alternative economic system it takes longer to make your pitch, because we are trying to change people's minds, David.

Mr. Peterson: Why doesn't somebody give him a copy of Das Kapital and be done with it?

Mr. Laughren: I'll trade you for your Wealth of Nations.

Mr. Chairman: Mr. Andy Watson has agreed to substitute for me this afternoon.

2:10 p.m.

Mr. Laughren: Before lunch I quoted Mr. Light, the president of Northern Telecom, about his concern over the direction in which we are

headed. If the Treasurer would listen to people—I don't expect him to embrace what I say, but when he finds that people like Mr. Light are saying the same thing, it should give him pause for thought.

This is Ontario and we have a lot of muscle. We have the potential for becoming a centre of high technology. We simply have to stop looking for scapegoats in order to avoid accepting any blame. A good example is the Treasurer trying to bask in the reflected glory of investment intentions in Ontario. I see him doing that.

I wonder whose interests he thinks he is representing when he talks about investment intentions. He talks about the 44 per cent increase in investment intentions in manufacturing. I know where he got that figure. I think he got it from the Stats Canada report, Private and Public Investment in Canada Mid-Year Report. I took a look at that figure of 44 per cent and broke it down a little bit and I find it is not quite what the Treasurer would have us believe.

The Treasurer said in September: "The Ontario economy is experiencing a remarkable increase in investment in a wide range of sectors at the present time. This year, manufacturing investment will be up by 44 per cent, a record level. This supports my belief that by patient and dedicated attention to creating a climate of business and consumer confidence, we can build a stronger provincial economy. Our measures to curb expenditure growth, encourage private sector investment and level off public service employment have contributed significantly to this confidence. I intend to continue pursuing those kinds of policy initiatives."

Those are not initiatives. It is not an initiative to sit back and let attrition reduce the civil service when the problem is not one of a fat and lazy civil service. I happen to think you have a very capable civil service in Treasury. They don't send me nearly enough brown envelopes, but I think there is potential there. I think you do a disservice to the potential you have in your ministry.

To get back to the 44 per cent investment intention figure, look at it. It is not quite what you would have us believe when you break it

down. You will find primary industries and construction are up 11.7 per cent; manufacturing, 44.6; utilities, 12.5; trade, finance and commercial, 18.2; institutions and government departments, 6.8; and housing, minus 1.6 per cent. Overall in the major sectors—you cannot look only at manufacturing—it comes to a 16.2 per cent increase in investment intentions, not overall 44 per cent as you would have us believe.

So the new investment is not spread evenly across the economy. Breaking it down further, neither is it spread evenly across manufacturing. Of that new investment, 71 per cent is in transportation equipment. Surely to goodness you don't think that investment in the auto sector means a recovery is under way. All they are doing is scrambling to get us back to where we were before. Given the disaster in the automobile sector, it takes a lot of nerve for you to interpret investment intentions there as a major recovery in the Ontario economy. That really is stretching it a lot.

If you go back a couple of years and see what has happened with investment intentions, you will also get a different picture. In 1977, the actual level of capital expenditure in manufacturing was \$3.2 billion. In 1980, expenditure intentions are for \$5 billion. If you deflate that with the gross national expenditure deflator we get an increase of 10.07 per cent over the four-year period between 1977 and 1980. That is a 2.5 per cent a year increase.

That is not quite the same as the figure of 44 per cent over which you are beating your chest. You selected very carefully the figures which enable you to stand up in the Legislature and elsewhere and beat your chest when at the same time you know we have about 300,000 people unemployed. We have had 46,000 layoffs, indefinite and permanent, since January this year.

Here is a figure you studiously avoid when you talk about manufacturing. We had 18,000 fewer jobs in manufacturing in August 1980 than we had in August 1979. You don't talk about that, do you? Neither does the Minister of Industry and Tourism (Mr. Grossman). Your figures are a lot of puffery and do not reflect the actual state of the economy in Ontario.

Quite frankly I think your figures are not only disturbing, but misleading. I don't think that does you any credit as the Treasurer. I don't know whether those figures indicate an ignorance of the facts of what is going on in Ontario, or whether you want to mislead us into thinking things are better than they really are. Either way it is no credit to you as Treasurer.

The Minister of Industry and Tourism said: "Between January and August of this year 165

new projects were announced, involving \$3.6 billion in capital investment and the creation of 12,300 new manufacturing jobs." That is a quote from Larry Grossman. What he did not tell us was that while those projects were being announced and those manufacturing jobs created, there were four times as many manufacturing jobs being lost to layoffs. He doesn't tell us that. He doesn't feel there is any need to, I guess, and neither does the Treasurer. I say that is simply not proper.

It is simply outrageous that the minister is allowed to get away with the intentions shown for the auto sector. The Treasurer and the Minister of Industry and Tourism—and I think I am going to use the toughest words I have ever spoken to the Treasurer—are both playing a very shallow political game which, in the long run, will not serve any of us well. You are not "fessing up" to the problems in the Ontario economy.

We are going to expect you to live up to some of your rhetoric. You have been talking about the Ontario economy and how you are going to solve its problems in view of "the failure of the federal government to do anything about it." As we approach next Thursday night, the "supplementary action," as you call it, I would like to suggest a number of things that we are going to be expecting from you.

These are what we want from you: An enriched skills training commitment; a meaningful import replacement program in key sectors; a reduction in OHIP premiums and/or sales taxes, both of which are regressive forms of taxation, that is why we picked them. With regard to sales tax reduction, you could choose sectors—building materials, for instance—which would be a stimulus to a sagging housing market.

As we mentioned in the Legislature yesterday, we also want an energy tax credit. We believe that the increased energy cost of home heating fuel is going to place an added burden on people with low incomes, particularly the bottom quartile. You yourself do not like what the federal government has done; therefore I believe you have an obligation to do something about it.

Those are some of the things we are going to be looking for in your supplementary actions next Thursday night.

2:20 p.m.

I would like to talk about skill training for a moment because I believe that a lack of skilled trades people can very often lead to other problems. I mentioned Jarvis Clark this morning. It really is unacceptable that a company is allowed to use an excuse such as "not enough

skilled people" to move out of northern Ontario when it expands—to have their expansion in southern Ontario. That is something for which someone stands condemned.

You can blame the federal government if you like, and I agree they have a responsibility in that area. But if they are not doing it, you have an obligation to fill that gap, and you are not doing it. As a matter of fact, the Ontario government is not doing enough at all on the whole question of the shortage of skilled workers in Ontario.

We know that manufacturing in this province is now dependent upon ageing and foreign-trained workers, many of whom are nearing retirement. There are all too few Canadian-born skilled trades people available to take their places.

We have about 163,000 unemployed youths in Ontario; a high unemployment rate in people under 25. The majority of those are unskilled. That is an enormous waste of potential; it is an incredible waste of human resources.

There are now about 31,000 apprentices studying skilled trades in on-the-job training programs, but that will not even replace the skilled workers who are going to retire in the 1980s.

Added to the problem of an ageing skilled work force is the relatively recent phenomenon of an exodus of foreign-born skilled tradesmen who are returning to their country of birth. In 1979, 1,600 Metro Italians, an increase of 33 per cent over 1978, returned to Italy. I would suggest to you that you are not replacing those tradesmen.

The Ontario Manpower Commission survey of 1,153 manufacturing companies indicated half of those firms had skilled jobs available, for a total of 2,900 vacancies. This shortage of skilled labour could eventually lead to industries shutting down and thus ultimately cause massive spinoff unemployment among both semi-skilled and unskilled workers.

The Ontario government has very recently, just in the last couple of years, seemed to wake up to the fact there is a problem here and has taken a serious look at apprenticeship programs. As a matter of fact, in your budget this year you proclaimed what you called "a significant increase in provincial funding for on-the-job training." A significant increase was not difficult, given the very inadequate financial commitment in previous years.

In February of this year the Minister of Colleges and Universities (Miss Stephenson) announced that \$5.3 million would be allocated to employer-sponsored training programs for

the fiscal year 1980-81. In your budget speech you anticipated this money would assist an additional 5,000 workers in training programs. As of the end of August 1980 only 1,500 employees had benefited from the program. When I have concluded my remarks I would hope the Treasurer could explain why such a low proportion of the anticipated numbers of workers to be affected have, in fact, been assisted.

The growing shortage of skilled labour is central to the crisis of deindustrialization in Ontario. We do not have the trained manpower to meet the needs of our industries to be developed in the 1980s. Shortages of skilled workers are being blamed for production losses of up to \$85 million a year in Ontario's machinery and equipment manufacturing sector alone.

In addition to an insufficient number of people enrolled in employer-sponsored training programs, Don Pollock, head of the present Ontario Manpower Commission, has pointed to the relatively low participation by large companies in these programs. In his words, "Employer-sponsored training is encouraging broader participation by small- and medium-sized companies, but many large companies in the province are not shouldering their proper responsibility for training."

I would ask, also, that when I have completed my remarks, the Treasurer would respond to that concern expressed by Mr. Pollock and tell us what he is doing about it.

Surely there is a role here for government to provide financial incentives to encourage these firms to do their share in training apprentices for skilled jobs. The province should also explore the possibility of a levy system on employers. I understand this is presently being considered by the Ontario Manpower Commission.

I might add there is no reason why a levy system could not be put in place so employers contributed to a fund. If they used it, they could draw upon it. If they did not use it, at least they would be contributing to the development of skilled trades people in the province. So it could be done. There is no reason it could not be done.

In that way the people who did not bear their share of the responsibility would be paying into it for those people who were doing their part in training people. I think that is a very reasonable expectation and I would ask the Treasurer to respond to that at the appropriate time, too.

One area where the government is failing to shoulder its responsibility is in providing for women to enter nontraditional occupations. At present the money for INTO, which is introduc-

tion to nontraditional occupations, comes from the federal government and is only administered by Queen's Park. Not only is the present funding insufficient, but with the grants being renewed on a yearly basis there are no guarantees for long-term funding and thus no basis for long-term planning in this area. The province must make a financial commitment to this sector of the work force.

Furthermore, the INTO program is designed for unemployed women. Specific funds are required to retrain women presently in unskilled, low-paying occupations. Women who are entering the work force at an increasing rate represent an obvious yet almost untapped resource for the great demand for skilled workers.

I would also like to reiterate my concern about the continuing role on the part of this government in importing foreign workers to fill vacancies for skilled jobs. From April 1 to September 30, 343 skilled workers have been brought from outside the country with the assistance of the Ontario government. This number is expected to at least double by the close of the fiscal year. Over the last six years close to 6,000 skilled workers have been imported to the province with the help of this government.

If this administration was truly serious about correcting the shortage of skilled labour in the province, it would not be spending its resources on such piecemeal approaches as scrounging across Europe for skilled workers. Rather, it would be expanding its funding for skill training programs and playing a more aggressive role in monitoring, evaluating and enforcing standards for apprenticeship in this province.

Apprenticeship has developed on a haphazard basis, lacking any distinct long-term goals. What is needed is long-range planning to meet the requirements for skilled labour in Ontario. The existing failings in Ontario's apprenticeship programs represent another telling example to justify our call for an industrial strategy to provide the long-range planning necessary to rebuild the Ontario economy.

Apprenticeship programs create wealth not only by stimulating the economy through spinoff employment, but also through the high level of consumer spending that is the natural result of an increased number of higher paying skilled jobs in the province. I ask you very specifically to respond, when I am finished my remarks, about your plans for improving the training of skilled people in the province.

Another area where we are going to be expecting some action next Thursday night—I wish the member for London Centre (Mr.

Peterson) was here because it has to do with mining machinery. I talked about it earlier so I won't spend much time on it, but I will reiterate it because I think it is such a telling fact.

In Canada, we are number three in the world in the production of minerals, we are number two in the world in the consumption of mining machinery, and number one in the world in the importation of mining machinery. Think of those statistics. In Canada, we have a \$1 billion deficit on mining machinery. If we look at replacing even half of those imports, we know we could create about 7,000 jobs, assuming a two-to-one ratio of indirect jobs to direct jobs in manufacturing.

The regional development component I have talked about in relation to Jarvis Clark. If it was located in northern Ontario it would help to diversify one-industry communities. The job potential is excellent. They are well-paid jobs; they are high technology jobs. It is something the Treasurer should be interested in.

But even when there is an obvious role for government to intervene out there, this government rejects it. When I tried to talk the Minister of Industry and Tourism into doing something about it, he said, no, they were not going to get into that; they had no intention of jumping into the mining machinery sector at all. His alternative is to stand back and watch the situation deteriorate.

And it is deteriorating. The proportion of imports going to meet domestic demand is increasing. We are increasing the proportion of mining machinery as years go by. We are not addressing the problem at all. The Minister of Industry and Tourism puts on a trade show in Sudbury and thinks he has done his job. What total nonsense that is.

2:30 p.m.

The future potential, I believe, is really awesome. When you think about the open-pit projects due to take place out west with coal, the heavy oil, the mineral deposits still to be exploited, not just in Ontario but all over eastern Canada and the west as well, there is a tremendous amount of potential. I was reading the other day in a federal study by Energy, Mines and Resources there are over 300 mineral bodies in Ontario that have not even been touched, known mineral bodies to be exploited. They cannot all be done at once and maybe they should not even be done now, but it is an indication there is enormous potential still out there and all of that is going to need mining machinery.

I look at your refusal to intervene. Do you know what has happened today? White Farm

Equipment in Brantford has gone down the pipe, totally. There was some hope it could be saved, but it was not.

I was just thinking about this overnight. Massey-Ferguson, with all its problems, has potential and wants to build a diesel engine in this country within about three years. That is their plan. White built diesel engines in Brantford and while it may sound a bit strange to suggest that a company with Massey's difficulties absorb a company whose difficulties are even more severe, if that is possible, I wish the Treasurer would think about that, because the technology is there, the management expertise is there, the physical facilities are there. It is next door to Massey, in the same community.

We should look very carefully at the possibility of Massey and White getting together for the building of those diesel engines because, if my information is correct, today that whole thing has deteriorated to the point where they are about ready to sell off their assets. In other words, the bankruptcy is complete. The Treasurer should look at that very seriously.

You can do something about it or you can appoint a task force. Do you know what you people did? I know you would want to know this. The Minister of Industry and Tourism appointed a task force on the electronics industry about a year ago, I believe. I am sure somebody will correct me if I am wrong. I think it took him about eight months to appoint the people to it.

What kind of serious commitment is that? Is it any wonder that Walter Light shakes his head when he looks at the lack of commitment to high technology?

If I were to convince the Treasurer something needs to be done about mining machinery, would he immediately appoint a task force or would he get somebody with some muscle to actually move in there and do something about it? I ask you to think about that.

The federal government had a series of reports on sectors; there were about 23 of them. I have not seen much action on those. There was some good analysis in those reports and they looked at some of the key sectors, but a task force without a commitment to do something about it is not too useful.

Mining machinery is one sector. A second one with enormous import replacement potential is the electrical products industry. Before I suggest any sector be looked at in terms of government intervention or involvement or participation, I would want to make sure there was a lot of domestic market potential and a lot of import replacement potential, that it was high

technology with well-paying jobs. I only talk about those kinds of sectors and I think you ignore those factors at your peril.

Within the electrical products industry there are seven main subsectors: small appliances, major appliances, electrical lighting and fixtures, electrical industrial equipment, electrical wire and cable, battery manufacturing and miscellaneous electrical products. Out of those seven, one of them has a surplus, and that is electrical wire and cable. All the rest have a substantial deficit.

The electrical products sector is 70 per cent foreign-owned and 54 out of the top 55 companies are foreign-owned. This is what is so interesting about our economy. Even though there may be a lot of little Canadian companies out there, the big ones are foreign-owned. What is disturbing is the electrical industry is on the decline in this country. It is silly for us to allow that to happen.

In 1974 there were 63,000 people employed in this industry in Ontario. In 1978, the last year for which I have figures, there were only 53,000. We lost 10,000 jobs in those four years. That is 2,500 jobs a year being lost in this key industrial sector.

I said imports were an important factor we should consider. In 1976 we imported \$1.1 billion worth of electrical products. In 1979 it was up to almost \$1.8 billion. In three years there was a 60 per cent increase in imports. It is not as though things are turning around. They have deteriorated and you are sitting back on your haunches, watching it happen.

It is in Ontario. Ontario represents 62 per cent of the total imports into Canada, so it is our problem. You cannot say it is not an Ontario problem, that it is a federal problem and the federal government should do something about it. That does not wash. The problem is here in Ontario and we have the muscle to do something about it if we have the commitment.

In consumer products, where there is a good domestic market—we are talking about small appliances and major appliances as well—the deficit in Ontario was \$293 million. That is over 6,500 jobs. Here we are, setting up select committees to look at layoffs and to ease the blow when layoffs occur, when actually that is like putting on a Band-Aid after the accident has happened.

Why are you not in there doing something about it so those layoffs do not happen in the first place? That is what we are talking about when we talk about rebuilding these key sectors.

If we look at all the imports into Ontario in electrical products, the job potential is staggering.

If we look at the six categories where there were deficits—I said there was a surplus in wire and cable—the total deficit, just the deficit, would represent 15,000 direct jobs.

We worry about all the rest of the imports. If we replaced all the imports there would be 25,000 direct jobs. You know the ratio is about two to one in jobs in supportive activity for every direct job in manufacturing. You can see the job potential is really incredible.

It is not the short-term stuff my colleague from London Centre was talking about. I agree with him, that is not the answer. I suspect you would agree. You talk about taking discrete steps to stimulate the economy. Discrete is another word, I guess, for short-term and patchwork. It does not mean anything.

Maybe you are reducing the sales tax on automobiles. Okay, who can get terribly mad at you? But you know it does not address itself to the problems in the automobile sector at all.

We are saying to you, take a look at some of these sectors that have such tremendous potential. They have good jobs, are high technology and will stand us in good stead down the years. I would simply ask you, when you respond, what are you doing and what are you going to do about these sectors that are in decline?

The final sector I want to look at briefly is the auto sector. It would not be proper to talk about rebuilding specific sectors in Ontario without talking about the automobile industry. We know that if any sector has a potential for import replacement it is the auto parts sector.

The Treasurer knows we had about a \$4 billion deficit in auto parts last year. I did not do the arithmetic but I suspect we could wipe out a vast part of our unemployment if we would address ourselves to replacing those imports. I know, we have the auto pact and the Treasurer is not even prepared to raise hell about making sure the industry lives up to the spirit of the auto pact which was to be fair shares; we are not getting ours.

We are losing our position in world markets. This figure really astounded me. In 1965, North America accounted for 49 per cent of world production. In 1980, in the first quarter, North America accounted for 25.2 per cent of world production. What has happened there is remarkable. Canada's production, as a percentage of world production in 1972 reached a high of 4.3 per cent. It is now down to about 3.5 per cent. North America is slipping. We know why too.

2:40 p.m.

It is interesting, the United Auto Workers in the United States were demanding, yelling and

screaming, that the Big Three or Big Four get into small cars. But we know where the profits were in the automobile industry. They were in the big cars. Even though they were told to get into small cars, they left it until too late. That is the vaunted free enterprise system the Treasurer is so fond of.

This year is going to be the first time Japan surpasses the United States as a producer of automobiles. I look ahead. Are things going to be any better for Ontario in the years to come? No. We are not getting our fair share of investment.

When the Treasurer talks about investment intentions in Ontario, I never hear him saying: "Look at the automobile sector. In the next five years the automobile sector is going to get so much money." Do you know why? Because he is embarrassed. We are not going to get our share in the next five years on investments in the automobile sector. The Treasurer knows that. He will not talk about that. That is the scary part.

Despite the fact we are not getting our fair share now, he has been unable to convince the federal government or the industry we have a right to our fair share. As a matter of fact, look at these investment figures. Over \$80 billion will be required by the North American automobile industry over the next five to six years. The total Canadian automotive industry is scheduled to receive only \$4.8 billion of these funds. That is six per cent; we are going to get six per cent. In parts production, \$44.4 billion will be invested and Canada will get 6.6 per cent. The Automotive Parts Manufacturers' Association of Canada estimates there will be a shortfall in Canadian investment of \$3.2 billion, which includes a specific shortfall of \$2.6 billion in parts production.

Do you know that last year Canada accounted for 9.3 per cent of North American sales of the big four auto producers? It seems to me one does not have to be too imaginative to understand we should get that kind of commitment in capital investment as well. But we are not. We are getting a third less than that. We are getting about six per cent. That is wrong.

Not only are we in trouble now in the auto parts sector with a \$4 billion deficit last year but, because of their investment intentions, it is not going to get better. I know the Treasurer would not question their intentions because he is always quoting investment intentions.

This provincial government, in a study not long ago, said achieving our fair share would mean another 25,000 jobs in Ontario—25,000 jobs and here we go, running around testifying before a select committee on plant shutdowns

and employee adjustment. It is a sad commentary that we have to have a select committee on layoffs.

I would be happy if we had a select committee looking into rebuilding the sectors. If we had a select committee on mining machinery I would feel good about it. The Treasurer must be embarrassed to see select committees being set up to look at layoffs, for heaven's sake.

Would you not feel better if there were a select committee sitting downstairs looking into the potential for mining machinery in Ontario and how we could rebuild the sector, replace imports and create jobs? It is your stewardship, not mine. I am glad you have to answer for it.

I have listed only a couple of those sectors. I could go on on food processing and electronics and any number of them. The story is the same.

We have a lucrative market in this country, yet we will not use that as a weapon, for example, with the auto industry. We have a lucrative automobile market. It is more lucrative for the manufacturers than the American market.

The Treasurer will not use that. He will not say: "Look, you guys, if you do not give us our fair share, we have the technological potential to build our own cars here. Then where will you be?" The Treasurer will not say that. He will not even say we should have our fair share. He may say it, but he does not do anything about it.

The federal election is over now, Mr. Treasurer. You do not have to use that as an excuse. I remember the two senior levels of government, federal and provincial, saying in the last couple of years: "Now is not the time to go after the auto pact. There is an election on in the US and they would not dare change anything under the auto pact because it would mean a loss of American jobs. They have their problems there." I want to tell you, the election is over now and we have our problems too. I think it is time you flexed a few muscles.

The same is true of this as of the other sectors. It is a high-technology industry. There is a large deficit, enormous imports, a good domestic market and skilled jobs. I would ask the Treasurer to tell us what his plans are to make sure we get our proper share of investment in the auto sector.

Now I have identified a couple of sectors, I would like to talk for a few moments about one initiative this government has taken in dealing with some of the economic problems out there. That is the employment development fund grants.

Those are the grants that give the Treasurer his ideological spasms, because he really does

not like them. On the other hand, he has to give them and it bothers him. I know it bothers him and so it should. It bothers us too. Giving these grants out bothers us too. We have said from the beginning we would support the EDF grants under certain conditions—job guarantees, pollution control guarantees and equity. We think those are reasonable demands, but you have not listened to us very well.

We wanted equity, not just because we want the government in those companies; in some cases, for example with the Ford Motor Company, the amount of equity we would get for the \$28 million we put in there would not be substantial. It was not because we thought we were going to be able to dominate those sectors with the equity in one or two of those companies, but rather that perhaps we could prevent history from repeating itself if we were there with them and a partner in their operations. We could perhaps ensure they operated in the public interest on matters regarding pollution, investment of profits here and, in pulp and paper for example, in forest regeneration.

We are obviously opposed to EDF grants that are not necessary and I am sure the Treasurer feels the same way, but I should say to you we never said the pulp and paper industry should not be revitalized and modernized with government assistance. We never said we were opposed to government involvement in the pulp and paper industry. We did attach the same conditions to those grants as we did with the others.

Normally, we have treated the Premier (Mr. Davis) with respect and have not maligned the man or his office, but I want to tell you he twisted and distorted our position when he responded to questions from my leader. He did it deliberately, he did it with malice and he did it without a grain of statesmanship or integrity. Those are the strongest words I have ever used about Premier Bill Davis, but that is how I feel about the way he responded when we asked questions about the EDF grants. That was a totally uncalled for response on his part. He has to live with himself because he knows he did that in a most unfair way.

2:50 p.m.

We raised the question of grants to the pulp and paper industry mainly because of a study done for the Royal Commission on the Northern Environment by Lakehead University on contract. That study stated the grants were not needed and should be publicly justified—that is what it said in the report—and that the tax concessions were not needed because the return on capital was high enough.

I insist on reading it, because when we raised it the Premier distorted what we said. Let me tell those who have not read the report specifically what it said. My God, I could not believe the size of the report; it is a couple of hundred pages.

This is the quote: "The significant margin between operating costs and projected prices for newsprint, together with a favourable rate of return analysis on new capacity, strongly suggests that this sector is capable of undertaking modernization in northern Ontario on a profitable basis without the support of taxpayers in the form of the recent modernization grants offered jointly by the provincial and federal governments."

If you had read that quote from a task force commissioned by your Royal Commission on the Northern Environment, don't you think you would question it too? Don't you think there is an obligation to ask questions about grants, when this kind of conclusion is made by people who have been commissioned to do a study on it? Yet the Premier gets down to that level of politics.

I will go on: "Modernization grants already made or in process should be supported by the issue of publicly available documentation that includes calculations of the private internal rates of return expected on the relevant investments. This type of project evaluation should permit informed discussion of the need or lack of need for public support of such projects.

"Similar requirements should exist for the evaluation of public support for pollution control, particularly as presently mandated environmental requirements in northern Ontario are no more stringent than those applicable to our United States competitors."

And finally: "Tax concessions related to investment are not required in the forest product sector. Tax treatment is already sufficiently favourable in northern Ontario to provide adequate rates of return to capital spending in newsprint and kraft pulp. While the situation for lumber is somewhat less secure, recovery from presently depressed prices should place this sector on a firmer profit footing in the future."

Those are quotes from the report done by the group from Lakehead University, commissioned by the Royal Commission on the Northern Environment. There may be a misunderstanding on where we stand on grants but I hope I have cleared it up in the Treasurer's mind. The conditions we stated when this whole employment development fund program started remain the same—equity, job guarantees and pollution control; and, to start with, we haven't got those.

Secondly, when we get a report of some legitimacy—you might want to debate that—we have an obligation to question it, and without being so maliciously maligned by the Premier. This province has given about \$95 million to the pulp and paper industry. That is taxpayers' money, and if that money is not required then those grants are outrageous. The Lakehead report stated that the real long-term threat to job protection in northern Ontario was the availability of wood, not the viability of the companies.

I don't know why the Treasurer does not understand that. Surely the question is to what extent the Treasurer has an obligation, once the grants are given out, to just put the matter behind him, and to what extent he has an obligation to review whether or not they were appropriate. But the Treasurer, the Premier and the Minister of Industry and Tourism seem to feel once it's gone, it's gone; they are not going to do anything about it. They have no intention of pursuing the matter further.

I have said that the real problem is wood. This is what the report says. "Fibre supplies are not only insufficient to support additional manufacturing capacity, they are inadequate to support existing capacity without major improvements in utilization, or the return of large areas of forested land to industrial wood products from other uses."

The Minister of Natural Resources (Mr. Auld) is responsible for the forests of this province. He was talking to the International Union of Forest Research Organizations just about a month ago. Although the budget approved by the Ontario Legislature for silviculture had risen from \$20 million in 1972 to \$70 million at present, he admitted, "Nevertheless, out of 195,000 hectares cut annually we are as yet only able to treat 80,000" or 41 per cent. "We can expect natural regeneration to occur satisfactorily in another 60,000 hectares"—that is 31 per cent.

That leaves about 55,000 hectares in need of attention, so we cannot consider that we are more than half way to achieving our objective. When there is this kind of gap in regeneration and silviculture, surely you can see why any grants to the pulp and paper industry had better be justified. It would be outrageous if we were putting money into the companies when it should be going into the industry or perhaps into silviculture. For the government to stick its head in the sand is simply not acceptable on this.

I look at the report from Lakehead, I look at the report from the Minister of Natural Resources, about the problem being the supply of wood, and I think, "I wonder what the companies have

to say." Great Lakes Forest Products, the company that bought the Reed Paper operations in Dryden, have this to say in their 1979 annual report.

"Over the next three to four years we plan to undertake a major modernization and expansion of the Dryden facilities at an estimated cost of \$200 million. It is expected that internally generated cash flow will provide a substantial portion of the financing for the modernization and expansion program. Financial assistance may"—I underline the word may—"be available under the incentive program announced in 1979 by Ontario and Canada to encourage investment by the pulp and paper industry in pollution abatement facilities and modernization. External financing will be arranged in due course." I thought that was very interesting.

There is a recipient of the grants—eventually; it was not at this point—saying it has every intention of going ahead with expansion plans, \$200 million worth. It tells where the financing is going to come from and says, almost as a throwaway line, that there may be some help from the incentive program from the federal and provincial governments. And you wonder why we are asking questions about the employment development fund grants. We have the Lakehead study and we have the company itself saying they are going to go ahead with their expansion intentions. But the Premier gets up with that kind of nonsense.

About two years ago, after some of the original grants were announced, I attended a breakfast at the Sutton Place Hotel—I don't know whether the Treasurer was there or not—put on by the pulp and paper industry. I remember that Pat Reid, the member for Rainy River, was there. I was sitting not far from Larry Grossman.

One of the gentlemen from the companies, a very highly placed gentleman, went up to the front to answer questions. He was going through his pitch and had not mentioned the grants. Someone said to him, "Do you really need those grants?" He hemmed and hawed and gave the distinct impression that they are nice to have, but they could get by.

Larry Grossman was sitting, with his back to me, at the next table. He was grinding his teeth, biting his nails and tearing his hair out all at the same time, muttering about how these same guys, who were now saying they did not need any assistance, had been banging on his door demanding assistance. Then—the thing that capped it off so beautifully, it made my day, and my days usually are not made at breakfast—he muttered, "I am going to put it to these guys,"

and he stood up to ask a question. I exaggerate not a whit here in this discussion. The chairman, the Pooh-Bah from the company, said: "I am sorry, I don't know your name. Do you have a question?"

I do not know if you understand Larry Grossman's ego as well as I do—perhaps you do, and better—but that did not sit well with the Minister of Industry and Tourism and he stomped out of the room, saying, "Somebody will tell him who I am and I will not return his calls for a week."

3 p.m.

One senses, in the whole scenario, you are being had. You have that feeling, but then we are told by your government, which presumably has investigated the matter: "They have to have these grants or the community is threatened. Dryden will go down the pipe"—that is the tactic that is used by the government—"and the opposition had better support this because you know that community has to remain viable."

One always has this uneasy feeling your government is telling you this is so because they have all the experts, they have the task force reports, they have the expertise. Then, when the dust settles and you get reports from a Lakehead study commissioned by the Royal Commission on the Northern Environment, and comments from the annual report of Great Lakes Forest Products, you start to wonder. You feel you have an obligation to say in the Legislature what is going on with these grants.

Of course we are concerned about them. When I conclude my introductory remarks I want to mention something specific about what I think this estimates committee should do about those grants—and for those of you who are getting impatient, I am almost finished. We would like you to think about those employment development fund grants. They are not going to go away as an issue in Ontario.

Lastly, very briefly, I want to talk about the whole question of unemployment. We New Democrats introduced three companion private bills in the Legislature this fall. They dealt with full employment, job security and economic justice for women. We did not dream up all those bills ourselves, we drew from other jurisdictions as well.

I will not debate it here but the full employment bill is one that needs some explanation. We looked at the United States jurisdiction and they have the Full Employment and Balanced Growth Act of 1978. In the United States, the President must submit to Congress, within the first 20 sitting days every year, his comprehensive economic report.

Our report is similar. We would commit the government to using all means at its disposal to create opportunities for useful, paid employment at fair wages for all individuals able and willing to work. Secondly, the Treasurer would be required to table annually an economic report containing the government's short-term and long-term strategies for the creation of a full employment economy.

Specifically, it would require that the government, when it tables its report: (a) review current and foreseeable economic trends which have a bearing on the level of unemployment in Ontario; (b) provide a comprehensive analysis of the level of unemployment within each sector of the Ontario economy; (c) provide a review of layoffs and plant closures, as well as new jobs and plant openings within the previous 12 months; (d) report on the progress being made toward increased domestic control of the Ontario economy; (e) analyse the role and record of the province's crown corporations in job creation and economic development; (f) establish annual numerical goals for employment and unemployment levels; (g) establish a target date for the realization of full employment; (h) review existing job creation in economic development programs, including actual job-creation results; (i) provide a comprehensive description of any new program being put forward for the achievement of the above goals, including the necessary provincial legislation and policy changes, as well as programs the government of Ontario is recommending to the federal government to achieve full employment in Ontario; and (j) provide other material required by the committee—because we would establish a standing committee on economic development which would review that report every year.

We did not introduce a bill like that, or talk about it today, simply to give the bureaucracy in the Ministry of Treasury and Economics something to do. We believe very strongly that any Ontario government must not only make a commitment to full employment, but grapple with the ways and means of making it happen.

That is really what this does. As I said, by requiring that report be brought forth every year, the Treasurer and others would be forced to look at those problems. They would be forced to look at sectors and see where the potential lay. Hopefully, by forcing them to do that by legislative means, they would stumble upon some self-evident truths and say we can no longer continue to allow this to happen, for example, in mining machinery. Perhaps that would be some help. Perhaps they would see the potential in some of these key sectors.

Because it would come to the committee, I do not think the government would be allowed to gloss over things. The opposition parties, no matter what they were, would be there to make sure there was no glossing over and that they would have to answer to it.

I know what the Treasurer said just last week, I guess. He was talking about our structural problems and he said, "They are not so simple, Mr. Speaker, that they could be solved by passing a law on full employment in this Legislature, as some members opposite would have us believe."

That was an incredible thing for you to say. What it implies is you think we think by introducing a bill that says there will be full employment, suddenly unemployment will go away. Surely you do not think we are that stupid. Give us some credit, will you?

I should not have asked those questions now.

Hon. F. S. Miller: You were leading with your chin, you know.

Mr. Laughren: Yes, I know. Surely you understand by doing that we are forcing a government to say, "We have a commitment to full employment and we are going to have to answer to it every year in a report and be taken to task for it." There is no more worthy goal than having full employment.

Can you imagine how you could reduce all those other demands on your Treasury if you had full employment? Can you imagine the reduction in social service costs you would have and the increased tax revenues you would have in the province with full employment? My God, the mind boggles at the thought.

Mr. Epp: You would have a balanced budget.

Mr. Laughren: You would have a balanced budget so fast, that is why—

Hon. F. S. Miller: What percentage do you define as full employment?

Mr. Laughren: When everybody who is willing or able to work is working, one has full employment. I do not know what percentage that is.

Hon. F. S. Miller: I just wondered because I have heard you criticize that percentage who do not work.

Mr. Laughren: The full employment percentage you use is—what is it?—five and a half per cent unemployment?

Hon. F. S. Miller: I have never used one.

Mr. Laughren: Your predecessor did.

Mr. Peterson: McKeough used 5.3 per cent.

Hon. F. S. Miller: What is Alberta's rate now?

Mr. Laughren: I do not know.

Hon. F. S. Miller: Alberta actually has a negative unemployment pattern, yet it shows over three per cent.

Mr. Laughren: We are never going to get to zero on the statistics, you know that. The point is, you do not even have a commitment to having anybody who is willing and able to work out there with a job. What we are saying is you have to have that commitment and you have to answer to it every year. I hope things would change. We believe it is at least a beginning.

Do you know what it is like? To use an analogy I am sure you will not find offensive, it is like the farmer who has to hit the mule over the head with a two-by-four in order to get its attention to make it do any work. In this case, the full employment bill is the two-by-four and we would use it on the Treasurer. I will not carry the analogy any further in case I get myself into trouble.

That really concludes my opening remarks. I reiterate what I said we would like to see in the supplementary action next week. I will repeat that. We would like some action on one or two of the specific sectors out there that are in trouble. As I have mentioned, there are others.

We would like an energy tax credit to protect low-income families. We would like relief for taxpayers and stimulation of the Ontario economy by cuts in either sales taxes or OHIP premiums. We would like an enriched skill-training commitment from you.

Finally, I would like to move a motion. Obviously, I have not stacked the committee with our members in anticipation of this motion. I would ask the other members to support me.

The Acting Chairman (Mr. Watson): Mr. Laughren moves that during the estimates of the Ministry of Treasury and Economics the committee set aside five hours to examine the EDF grants to the pulp and paper industry and that witnesses be called and relevant documents tabled for the committee to examine.

3:10 p.m.

Mr. Laughren: Do you want me to speak to the motion? I could explain it a little.

I feel strongly we should look at those EDF grants to the pulp and paper industry. I know there are restricted hours in estimates. I think we have only 13 or 14 hours this week. If we were to take the last Wednesday—I do not care which Wednesday, quite frankly—when we are sitting morning and afternoon and have a look at those grants, there are a number of people whom I think should come before the committee and perhaps there is some documentation we should have.

I can think of Duncan Allan who should be here. He was the person who put all that stuff together, I gather, and made the recommendations. I can think of at least one of the authors of the Lakehead study report. I can think of the president of Great Lakes Forest Products—people like that who should come and talk about those EDF grants. I do not know of any other forum available to us that is going to be useful.

Mr. Peterson: Could I speak to that? I share Mr. Laughren's views this should be looked into, although I bring to his attention that the standing committee on public accounts is going into this on a motion by Mr. Germa, seconded by myself.

It is my view you are on the right track but it is going to take far more time than five hours. We would just get a cursory look at it.

I think the intention, and I cannot be terribly specific, is that the information would be gathered—it is a big job and it is worth doing—the appropriate witnesses summoned and chatted with over the course of a few days, probably in January or February when the House is not sitting. I think that is the intention and I wonder if it would be a duplication in this committee.

I feel it has to be looked at. I think under the new mandate of the public accounts committee probably the Treasurer will be called at that point, as will possibly the Minister of Industry and Tourism. Would you be satisfied to leave it with that group?

Mr. Laughren: My concern there, and I thought about that myself, is the timing. Public accounts has a long list of things and God only knows if it will even get to it. That is my problem. I think we should look at it.

Mr. Peterson: That is a problem, although we do have the power to order our priorities.

I share your view. It was my intention to deal with it later in our discussion. It is our view it is a serious matter and needs to be looked into with independent witnesses. I wonder if five hours is going to make much of a dent.

Mr. Laughren: The committee can establish its own hours. We have that right. I am worried, Mr. Peterson, that we go into January and public accounts already has its series of priorities and we are not going to crack it. The government will be quite happy but I would not be.

Mr. Peterson: Just to avoid duplication, Mr. Laughren, we cannot create a lot more hours for ourselves, can we? I think that is ordered under the rules of the House. It has been apportioned by agreement. I just wonder if we are going to get the president of Great Lakes—

Mr. Laughren: I would like more time, too,

but is there going to be anything more important to discuss in these estimates than the EDF grants?

Mr. Peterson: I share your view of the gravity of the situation. I just wonder about the best way to handle it. You are not satisfied with doing that through public accounts and taking the appropriate amount of time?

Mr. Laughren: I am worried they will never get to it and that does not serve us well. I would be prepared to sit down with anyone and talk about it, even after today or tomorrow or whenever.

Hon. F. S. Miller: Who were you thinking of as witnesses?

Mr. Laughren: I was thinking of one or more of the authors of the report. I was thinking of—actually I have made a list—Duncan Allan. I was thinking of the president of Great Lakes Forest Products, for example, a fellow named—Donan, is it?

Hon. F. S. Miller: Charles Carter is president of Great Lakes.

Mr. Laughren: Carter; I'm sorry. I think that is the gentleman whose actions I was describing at breakfast.

Hon. F. S. Miller: I do not think so. I think it is Spruce Falls.

Mr. Laughren: Anyway, those are the kinds of people I think would shed some light on it.

Hon. F. S. Miller: Within my estimate period I have whatever hours are allotted to me and you can use them any way you wish. I am as prepared to see you spend time on this aspect of my ministry as any other.

The fact the program is not totally but almost complete and now is, therefore, historic rather than ongoing, I think has some bearing on the fruitfulness of the analysis. I intend to make some comments on it today. I do not think it will necessarily satisfy you but it may help throw some light on it.

Mr. Laughren: Why do you not talk about it and before we proceed with the motion I will confer with the member for London Centre?

Clerk of the Committee: Mr. Laughren, I think in fairness we have either to recess and get enough members in to vote or agree to vote on it next Wednesday morning, if that would suit you.

Mr. Laughren: The trouble with that is if we decide to proceed we have lost a whole week in getting people notified. I have no objections other than that.

Mr. Peterson: The other side of that is there is

a public accounts meeting tomorrow and this business will be ordered at that time. It may satisfy you. You may want to attend that meeting or do it through your other emissaries there, your other appendages who attend.

I guess my reaction is public accounts is a better place to do it because we are now empowered to look at economy, efficiency and value for money spent.

Mr. Laughren: I gather there is unease about proceeding with the motion now and I would be prepared to withdraw the motion for the moment until we can check with public accounts to make sure they will deal with it. I feel if they will not deal with it in a relatively short period of time, for obvious reasons, we should then proceed with it and we could perhaps make that decision next week.

The Acting Chairman: If you are prepared to withdraw it, I think that is the easy way out. I am a little bit uneasy about accepting the motion with the numbers that are here.

Mr. Laughren: I was not suggesting we vote on it before people have a chance to get in.

The Acting Chairman: We can handle it several ways. I can accept it, you can withdraw it, or we can table it.

Mr. Laughren: Let us table it.

The Acting Chairman: Do we have a consensus that we table that motion?

Mr. McGuigan: Mr. Chairman, there is a bit of a trap there. It takes a majority to get it off the table.

Clerk of the Committee: Are you not going to vote on it?

Mr. McGuigan: If you table something you have to take it off the table again before you talk about it.

Mr. Laughren: I did not know that.

The Acting Chairman: Why do you not present it again on the basis of whether you do or do not need it next week?

Hon. F. S. Miller: I think you get yourself into an unnecessary technical snarl and you make life difficult.

The Acting Chairman: Okay.

Mr. Laughren: In the meantime we can have a chat.

The Acting Chairman: Are you finished then? Mr. Miller, do you want to reply?

Hon. F. S. Miller: I will try to. I am always impressed by and I sincerely commend the member for the amount of work he puts into his comments. That does not mean I agree with him. I simply admire people in the parliamen-

tary process who do their homework. That has been done and it is evident.

To start with the employment development fund first, I suppose it is one of those few cases where I can honestly say I was the author and, therefore, am responsible for either its success or its failure. Most things in government have very unclear origins. This one was a happy combination of two different positions I held in government, the first being Minister of Natural Resources at a time when the prices in the pulp and paper industry and the lumber industry in general were bad. It seems to me that almost every commodity was bad in early 1977, it did not matter whether you were talking about nickel or market pulp. I think newsprint may have been not too badly in demand that year, but that was about all.

3:20 p.m.

If you recall, we were also facing mounting criticism, mainly from your party, on the environmental effects of the pulp and paper industry in the north. I am not commenting upon its fairness or unfairness, but the fact remained it was seen by many people in Ontario as a very real problem. Certainly the then Minister of the Environment agreed with the need to clean up the greatest single source of chemical pollution in the north.

A number of people in the Ministry of Natural Resources at that time really thought the money it was expected Environment would demand to clean up the sulphite plants and the other mills was a waste, because they assumed the investment was being added to plants that were really worn out. The fear was we would see a fairly large compulsory investment made or, the converse, plants closed up quite quickly because companies would be unwilling to comply with orders imposed upon them.

Our mills were the oldest in North America; close to the oldest in the world, I would guess. If one looks at the dates when most of them were built it seems to me we must have had a great surge between 1900 and 1915, maybe a little secondary surge in the 1920s, and then not much that was truly new from then on. You could find exceptions; you could find some mills that have been kept more up to date than others.

I am sure you know we commissioned some engineers to go on a mill-by-mill basis to make a very technical review of each individual mill on the understanding the information was confidential and would not be revealed to any competitors, because obviously if a company lets you take a good hard look at its operating costs and state of art, it is revealing some of its most important trade secrets.

The result of that study was far more encouraging than we expected. I guess the only mill in all of Ontario that was thought to be over the hill was Ontario Paper Company's Thorold mill. As I recall, it had only been economically viable for some time because of its vanilla operations and its chemical operations.

What we did discover was in most cases incremental investment in productivity could bring the mills to a degree of cost competitiveness that, while less favourable than the American mills, would permit them to weather out the weak cycles in the pulp and paper industry better than they had been doing. An analysis of the cash flow I believe showed us the sum total of the moneys needed for productivity improvement, plus environmental cleanup, was greater than those that could be generated by the industry.

It was about then I changed to Treasury and I would say that was probably a happy change because the different parameters of the job permitted me to look at the actions one might take from a governmental point of view that involved dollars rather than simply an analysis.

We did something I think is unusual. We talked to all of the companies and we invited all of the unions to come in and talk to us, because we wanted to have a feeling for the practicability of a program aimed at revitalizing the industry. And we did not want to design one that either, let us say, aided those who had done nothing or hurt, therefore, those who had done something. Secondly, we wanted to make sure the unions believed that the jobs were worth saving. I don't believe all the unions turned up, but I think those that did generally accepted the principles. The companies, after a bit of thought did too.

The kind of reaction you may have seen at the meeting you talked about was typical of the industries. They have—I don't know what you would call it—perhaps a Pavlovian response to any government intervention. They simply reacted and said, "We don't need you." They said it publicly in a number of cases, and of course, those who said it publicly usually are the first to apply.

The program was designed and put in place. While we had kept the federal government aware of our intentions, we had not asked for federal assistance, but hoped for it. And probably in the fastest wedding ever of a federal-provincial program, I would say within a week of us announcing Ontario's program—in fact less than that, I think—we were told by the federal government they were willing collaborators in that program.

Mr. Laughren: What month of the year would that be?

Hon. F. S. Miller: Oh, I lose track of time. It seems to me I started these things in September 1978, and finished somewhere around November 1978, I would guess around that time frame. One would have to go back.

I know in February 1979 I was down talking specifics of the Dryden Mill with federal ministers in Ottawa; Chretien, and the minister from Thunder Bay who was in charge of the Treasury Board or the economic development group.

One can do a lot of arguing, as has the report you referred to. I have always had a great respect for studies. In no way am I going to say the study you referred to—and I have it in my office—has been slanted. I believe it is the honest appraisal of those people who did it.

Mr. Laughren: You won't malign them the way the Premier did.

Hon. F. S. Miller: I won't malign anyone in the course of this study. I am simply saying people have taken a look at the facts and figures as they interpreted them, and they have come up with their conclusions. But you and I have dealt with academics at times and we often have seen academics disagree upon interpretation of statistics.

Mr. Laughren: I don't question that at all.

Hon. F. S. Miller: All I would say though is this. I think there is one empirical, visible factor that tells me the program was correct, and that is—

Mr. Laughren: That they used the money?

Hon. F. S. Miller: No, that the investment occurred, when it had not occurred without the program. One can argue about all the reasons they should have or should not have, or did or did not do things. The fact is the industry had slipped into a quiet state of decay and nothing much was happening on a broad front.

Plant by plant—the Great Lakes plant in Thunder Bay was a plant that was, I believe, as modern as any, even before the program. One or two others could be pointed to and one could say they were good examples of well-run plants, modern plants—all of a sudden, we had, if not every pulp manufacturer in this province, then almost every one, in making proposals.

Mr. Laughren: Excuse me, but would you agree with me it is not just the fact they spent the money that means it was the right thing to do? Surely, unless there was a need for the money, it does not make it right?

Hon. F. S. Miller: I quite agree. Look, my friends, businessmen—

Mr. Laughren: If you want me to buy a new car, you give me the money and I will go out and buy a new car.

Hon. F. S. Miller: If I gave you a 100 cents on the dollar. And if you are really talking that way we will send my son to see you later this afternoon.

Mr. Laughren: The used car business runs deep, doesn't it? He has petrol in his veins.

Mr. Peterson: Not as deep as Santa's Village. There is a Santa Claus syndrome.

Hon. F. S. Miller: This is the Santa Claus syndrome we are talking about.

Mr. Laughren: If my old car is broken and I am going to have to buy a new one anyway, and you come along and say, "Here is some money towards buying a new car," I would say, "Thanks a lot, Frank," and I would go to buy a new car.

Hon. F. S. Miller: That is exactly what happened last February.

3:30 p.m.

Mr. Laughren: That is exactly what happened in the pulp and paper industry too.

Hon. F. S. Miller: All right, but I would argue that the kinds of ratios we used, and I guess the total of the program was \$168 million at the current level—something in that range anyway—of total Ontario/Canada dollars, created something in the range of \$1.3 billion of total investment. So it is a lot of leverage. You do not get businessmen laying out nine of their dollars for one of yours just because they are getting one of yours, unless there is also a return on their \$9.

Mr. Peterson: You are getting deeper in the hole, Frank.

Hon. F. S. Miller: I do not think I am. The fact is we have seen a number of industries in a state of revitalization. I visited Dryden in mid-July; I am sure you have been there before. The old plant is coming down almost to the last concrete wall.

Mr. Laughren: I was there in August and I wondered what had caused the thing to fall down.

Hon. F. S. Miller: The decision to go ahead with the fine paper division, where a lot labour-intensive work is involved, was made later on this year. I would challenge you to say the town of Dryden was not saved by that decision.

Mr. Laughren: I do not know. That is the point, is it not? Would it have been saved—

Hon. F. S. Miller: You and I as politicians have an interesting set of options. We could have chosen what might have been your route and say, "Prove to me they need it," until they go broke. I chose to take a gamble. You criticize me.

Mr. Laughren: You are putting unacceptable options in front of me. We have never been opposed to intervention up there. I have been arguing with you all day that there needs to be more intervention.

Hon. F. S. Miller: All I am saying is, the fact is the town was saved, the jobs are there, the future of the community is secure and I may or may not have been needed. You can argue that at this forum as much as you want. All I can tell you is, whether I was or was not needed, at least I am now satisfied that the town is secure and I would rather have the accusation made that I may have been fooled than be facing a community where a plant closed down.

The plant in that community would have closed down, there is no question about it. It would have closed down in the Ontario Paper Company at Thorold. Do you agree with that?

Mr. Laughren: I honestly do not know.

Hon. F. S. Miller: It would have; yes, it would have. In fact, I was amazed the company made the decision to start with a completely new plant there because, you know, they bring their wood down 400 or 500 miles to that location.

Mr. Laughren: But do you not agree that if the Dryden mill had had the capacity to do what they did anyway, without government money, they should have done it without government money?

Hon. F. S. Miller: I would have argued to you that if in fact the government money was not needed for the 12 mills, or whatever it is, that have taken the money this year, probably six of them would have been in some stage of development as it was. They were not. We had a sudden rush of investment once the program came on stream which, to me, is the kind of proof I need to tell me we catalysed investment in that industry, investment that was only a maybe before the program but is a sure thing now.

Mr. Laughren: Where does the obligation begin and end to make sure, for example, the Dryden operations continued? Was there no obligation on the part of the private sector to modernize and to make sure it continued? No, none.

Hon. F. S. Miller: No. The private sector has an obligation to make a profit, whether you and I like that or not.

Mr. Laughren: I understand that very well, but it goes beyond that. Even they would admit that.

Hon. F. S. Miller: I agree. If one looked at the rates of return on the Canadian pulp and paper

industry—and I saw them but I do not recall them now; I think Dunc Allan could provide them if he was before you, or I am sure we could find them ourselves—they were well below established norms for most investments and therefore were becoming less and less attractive places to put money by anyone, let alone the companies. Most companies were in it because that was their business, not because they chose to go there.

I simply say we have revitalized it. And if I have to face the criticism—as a Treasurer you learn you have to; you are going to be criticized no matter what—I am a lot happier being criticized this way than facing you and the people of Iroquois Falls.

I was up in Timmins last night talking to the mayor of Iroquois Falls. An interesting thing happened. A man who is the member of your party came up to me—

Mr. Laughren: He did not. I will speak to him.

Hon. F. S. Miller: Yes, he was at a Conservative fund-raising dinner.

Mr. Laughren: Good Lord.

Hon. Mr. Miller: He was there because of this program.

Mr. Peterson: He could not afford it.

Hon. F. S. Miller: It is \$25 for a Conservative fund-raising dinner up there; \$50 for the NDP ones. Anyway, he came up to me afterwards because I had referred to a visit to Toronto of the Iroquois Falls council under Aurele Gervais about four or five days after I had announced the pulp and paper program. They had come down to see not the government but the Abitibi company.

Mr. Laughren: What did this formerly fine gentleman say to you?

Hon. F. S. Miller: I will tell you what he said to me. Your leader had chosen the previous Saturday night—this was about Monday—

Mr. Laughren: In Kapuskasing.

Hon. F. S. Miller: —to attack the pulp and paper program—you can go back to the free-time telecast, I did not see it—

Mr. Laughren: You be careful of the words you are using.

Hon. F. S. Miller: —to say things that were less than complimentary, okay? I did not see it; I am only repeating what I heard.

This group had come down to ask Abitibi to make an application to Ontario to rebuild the Iroquois Falls mill and the whole group said: "Our mill is one of the oldest in the system. It is finished if they do not do it, and our town is

wiped out if the investment is not made," et cetera.

This gentleman stood up and said: "I have worked in the plant there for most of my life. Last Saturday night Mr. Cassidy made these comments about the waste of government money or some such thing, or, 'Why are they doing this?' or, 'They should not be doing it.' I walked down the production line this morning and half a dozen guys in the party said to me, 'What on earth is he trying to do, take our jobs off us? You had better tell him.'" He came and told me.

Now I am not the right messenger for that message—

Mr. Laughren: We shoot messengers like that.

Hon. F. S. Miller: —but last night, not knowing he was in the crowd, not assuming he was at a Conservative fund-raising dinner—

Mr. Laughren: I cannot stand this any more.

Hon. F. S. Miller: I happened to repeat this story and this gentleman came forward afterwards. He said: "Frank, I am the guy you spoke to. Do you remember me?"

Mr. Laughren: You are on a first-name basis already?

Hon. F. S. Miller: You are perfectly right. And now he is working for Alan Pope.

Mr. Laughren: That is the ultimate. I intended to mention Alan Pope. He promised a food terminal for Timmins and he has weaseled out of that commitment.

You used words too that bother me when you talk about our response to the EDF grants. Now I suppose you will walk out of this room and you will say I made a presentation in your estimates, abusing and fighting against—

Hon. F. S. Miller: I heard what you have said today and I did not take it as abuse. I take it as criticism but not as abuse.

Mr. Laughren: The Premier heard what my leader said too and he sure as hell distorted it and twisted it—

Hon. F. S. Miller: Would you like to edit that last comment?

Mr. Laughren: I will change the word "twisted." He really distorted the whole thing. What he has always said, right from the beginning, was, "We need to take a look at those grants because there are too many questions surrounding them." That is all he has been saying.

Hon. F. S. Miller: In any case, I would argue that the program, to me, is one of the things I have been most proud of.

Mr. Laughren: And it would stand up under scrutiny, right?

Hon. F. S. Miller: I think it would and that is why I am not arguing that one should not take a look at it. I would still rather leave the scene saying I erred in favour of protection than erred in terms of risk of jobs and community.

3:40 p.m.

There are some communities I have faced a responsibility for, as Minister of Natural Resources, that I found very hard to bear. I am thinking of Atikokan; I am thinking of Marmora, where I did not have a nice solution. In both cases they were mines that were spent at the predicted time of their life. I think Atikokan was within a year of the predicted lifespan of the mine when Steep Rock closed down.

Marmora was two or three years ahead of prediction because the US steel market went to pot. Bethlehem ran into the greatest—

Mr. Laughren: Do not justify the closure of those iron ore mines because you cannot do it.

Hon. F. S. Miller: I am not going to get into that argument today. But if you cannot justify Atikokan's closure, I would be very interested to see.

Mr. Laughren: Could you justify National Steel's closure?

Hon. F. S. Miller: You are talking up in—

Mr. Laughren: North of Sudbury.

Hon. F. S. Miller: That is a little different.

Mr. Laughren: It is.

Hon. F. S. Miller: I am talking about the mine per se at Atikokan. The mine had got down, as I understood it, to the maximum depth possible for open pit mining.

Mr. Laughren: I am not talking about legitimate closures.

Hon. F. S. Miller: In fact they got to the levels they said they would get to, and they said they could no longer economically expect iron ore from those mines under any conditions. As you know, they intended to open the Bending Lake operations at that time. We went ahead and did a lot of planning for roads and to bring the ore in as slurry to process it in Atikokan and save the community at least a fair amount of jobs.

I will not get into any more of that, but I would say that at least in the case of the pulp and paper companies, we could take some steps to protect the jobs.

The other thing I am quite happy about, looking back—and you touched upon it—was adequacy of wood supply. I have listened to the kinds of statistics you have repeated today about the percentage of regeneration naturally and artificially, percentage NSR as they would say in the trade. I do not refute them. I only

would say in the 25 years the ministry tackled that job—or not quite that many; 1962, so it is only 18 years—great strides were made. If you recall, in May 1977 when the election campaign burst upon us—

Mr. Charlton: That is when our manufacturing sector was at its peak.

Hon. F. S. Miller: Not in the pulp and paper industry—your leader of the day chose to take reforestation as his major first swing at me. We had an interesting debate on that topic.

We did accept a very thoughtful study, from Professor Armson of the University of Toronto, who, I believe, is on the staff of the Ministry of Natural Resources for the time being—attached to them, at least; not necessarily full-time staff—which I thought took one of the most sensible recommendations one could have. That is, there had to be one person harvesting and regenerating the forests of this province. It also required immense upgrading of nursery facilities and seed facilities in the province.

Again, last night in Timmins I was delighted to find they are thinking of locating a nursery not too far from there, around the Matheson area.

Mr. Laughren: That will replace the food terminal.

Mr. Peterson: You should have stayed in Timmins.

Interjections.

Mr. Laughren: When was the last time you were in Shining Tree?

Hon. F. S. Miller: Shining Tree? Well, you and I go there at least once in every debate.

Mr. Laughren: That is right.

Hon. F. S. Miller: You got into an interesting discussion about your bills for full employment and the requirements for the American President to go before the House—once a year was it?—and report. Surely that is one of the cases where the British system of parliament is superior to the American in that every day the House sits you have the Premier and the ministers on an accountable basis.

Mr. Peterson: I would argue the exact opposite. We get tired of you.

Hon. F. S. Miller: There has been a certain degree of reciprocity there.

Mr. Charlton: I think what we are talking about in the bill was some substantive documentation and some substantive debate around the Canadian economy, the Ontario economy.

Hon. F. S. Miller: Certainly that is exactly the purpose of estimate debates each year.

Mr. Laughren: All right. I am waiting.

Hon. F. S. Miller: I would hope if one used the time here well that is the kind of argument one would have.

Mr. Laughren: I am waiting.

Hon. F. S. Miller: I have listened to the budget debate, sure. Our system of government provides ample opportunity for it and I believe—

Mr. Laughren: No, you have never presented that list before in this chamber. You have never done anything like I read out to you. That's why I read it.

Hon. F. S. Miller: I am a doer, and those of us who are Conservatives tend to be—

Mr. Laughren: No, this is doing too.

Mr. Peterson: He is a doer, not a thinker. Leave him alone.

Hon. F. S. Miller: I am surrounded by enough thinkers so surely once in a while some of us have to do something.

Mr. Laughren: We will not debate that either.

Hon. F. S. Miller: Out here, I mean; I am not thinking of my staff. I would not want to lump them in with that amorphous group.

Let me just give a few things out of my notes on your reaction to the Lakehead University submission on the forest products industry. You said, "The grants were unnecessary because of the significant margin"—et cetera—"between operating costs and projected prices."

Mr. Laughren: Wait a minute. I said that?

Hon. F. S. Miller: You quoted them.

Mr. Laughren: That is better.

Hon. F. S. Miller: You did not believe it, then?

Mr. Laughren: No, I am just telling you I quoted from this. I want to find out.

Hon. F. S. Miller: When you said that you left me believing you believed it.

Mr. Laughren: I believe the matter needs to be pursued. If I did not think it needed to be pursued I would not bother saying we needed to call these people before the committee, I would just say, "This is the truth," and expect you to believe it.

Hon. F. S. Miller: Let me just give you a bit of a response we had looked at. It said: "The report essentially compares present operating costs with present newsprint and kraft pulp prices and finds fairly substantial profit margins. While this is certainly true of present conditions in the industry, it is not necessarily accurate to assume that this same cost to price relationship will continue in the future."

I am going to stop there for a second because one of the big criticisms I got last year for introducing the pulp and paper program at a time of unprecedented "profits" was that I was giving them the money when they did not need it. My counter argument was that in a cyclical industry it is the only time you can get anybody to invest and that was exactly the time to do it.

"The industry is in a phase of unprecedented profitability and it is doubtful it will last. The demand for newsprint and pulp is softening and price increases for these products are expected to become more restrained. At the same time, energy costs continue to escalate, recent wage settlements have been higher than those in the past few years, and wood costs are going up."

Here is a key thing: "In making its profit calculations the report assumes an exchange rate of 87.5 cents US to the Canadian dollar to the year 1990. Other investment experts are estimating exchange rates in the order of 91 to 92 cents US by 1983. The rise in the exchange rate would cut pulp and paper companies' profits drastically and one company, for example, says fully 60 per cent of its profits last year were due to the exchange rates. If the rate were 91.5, Great Lakes, for example, would lose 20 per cent of its profit."

Interjections.

Mr. Laughren: What were you reading from?

Hon. F. S. Miller: I am quoting my own notes.

Mr. Laughren: Now I am really suspicious.

Hon. F. S. Miller: No, my staff notes to me. Staff in advance often assume that you may ask a specific question. The bugs in your office are very, very accurate. I do not care what you ask me, I can answer the question. They were ready for it.

You talked about disclosure of information and I think I answered this in the House one day too. Documentation provided by the companies applying for grants includes private and sensitive information. A legal agreement between each company and the government provides that the government will maintain normal, commercial security and privacy in respect to information supplied by the companies and that the government will not disclose any information without the prior written consent of the company.

I think that is quite important when you are in a business as technical as that. The thing I point out is two levels of government, federal and provincial, were scrutinizing that information and scrutinizing it quite carefully. Both had to agree and then the action was taken.

I accept your advice for what should be in my

mini-budget and next week you will be able to tell whether you were right or wrong.

Mr. Laughren: Not whether I was right or wrong but whether you were right or wrong.

Hon. F. S. Miller: Would that I were so sure of myself.

We talked at length about the employee-sponsored training program and Mr. Pollock. You mentioned that \$5.3 million, or whatever it was, was inadequate. Some of the questions you started to ask me about really are not in the Treasurer's bailiwick.

3:50 p.m.

My job is to listen to the pleas of the ministries which say that employee skill training is a critical priority and which say they need X dollars to do certain things and then leave it to them after the approval of the money to see they produce and deliver the programs.

Mr. Pollock has been there for 16 or 17 months now. He was in my riding Monday night and I attended a meeting with him where he went through the formation procedures for local employee-sponsored training committees, up to 54 or 55 of them at the present time.

I have great enthusiasm for those, I hope you do. I think we are finally lowering resistance to skill education in the community and we are gaining the acceptance of both unions and management in the process. I think the fear both had is being dispelled. I do not see any rapid change but I see an encouraging change. I trust you will find we keep that as one of our major government priorities in the next while.

Mr. Laughren: I do not want to blow it out of proportion but it just happened that in the instance of North Bay, with the skilled workers not being there—that is over a period of time; that is not a sudden thing. I wonder whether there is the initiative there within some ministry to resolve that.

Hon. F. S. Miller: There are lots of problems. I wish I knew how to solve the locational aspirations of people in this province. You will recall, in my days as Minister of Health, one of the constant things I heard from the north was (a) there should be access by northern students to medicine and (b) we should fill the needs of the north for medical practitioners. I do not know how well we have done on the former. As time goes on, we appear to be making progress in the latter.

The sad thing was we seemed, all too often, to take young students from the north, train them and they would end up working in the major cities close to the universities and the major

centres of practice such as the Toronto General Hospital or London Psychiatric Hospital.

Mr. Laughren: Are there unemployed skilled trades people in Ontario?

Hon. F. S. Miller: I assume there must be a number in cities like Windsor. I do not have those statistics with me. I would have to ask somebody to look them up. In Windsor, where unemployment, the last time I saw it, was in the range of 17 per cent, we still had about 3,700 new jobs created in the year apart from the losses I am talking about. Every machine shop, every tool and die shop in the area seems to be running flat out.

You talk about the import of skilled labour. I have mixed feelings about it. Obviously, the first responsibility is to give unemployed Canadians a skill, recognizing the time frame involved in that and recognizing even the difficulty of convincing some they need to acquire one. We have immediate problems we have traditionally solved by encouraging people to come to our country. There are darned few of us in this room who cannot trace our roots back to that kind of inducement. My father was a tool and die maker. I would say if my father had talked his son into being a tool and die maker, I would be better off today.

Mr. Dick: I have never had a Treasurer who was a tool and die maker.

Hon. F. S. Miller: He has never had a Treasurer who was a tool and die maker.

I think the country has always profited from the importation of people with those skills, both in terms of the offspring, like myself—

Mr. Peterson: Now, now.

Hon. F. S. Miller: I was waiting to see how long it would take to wake you up again.

There are the people themselves. In a country as sparsely settled as our own, natural population growth is not going to solve all our problems. I think we accept that. I do not see that as a no-no but I do see it as not being a substitute for tackling the home problem.

I am delighted the year and a half has seen a good deal of improvement and I think Mr. Pollock, before he returns to industry, is going to have solved a number of the attitudinal and organizational problems we faced. We all need to work with him in the process. The question of money is the last of the problems government faces in that area. The \$5.3 million is nothing compared to the moneys we spend on other programs.

On mining machinery, I get the lecture every time. I have great sympathy for it, I tell you. I only wish you would, for all you have told me I

should do something, be very specific some time and tell me how you would make it happen. I have four more minutes I will be able to—

Mr. Laughren: He asks me and then he will not listen to me. I told you exactly how it should be done.

Hon. F. S. Miller: I think you have some confidence in the ability to force people to invest money.

Mr. Laughren: Do not get into that. I have often said if the private sector will not do it there is an obligation on the public sector to do it, either by itself through the crown corporation route or through a joint venture. I think the potential is too great to ignore those suggestions.

Hon. F. S. Miller: I am sure you know I am looking at the whole machinery sector and this is one I am keenly interested in. I am not talking about mining machinery now. I am talking about machinery in general. I met with representatives of the machinery equipment manufacturers not too long ago and set wheels in motion to see what could be done.

What pleased me in particular is it dispelled certain preconceived ideas I had about that industry. I had some idea that the Canadian machinery imbalance in trade was due to some structural problems in terms of our competence and in terms of the quality or the price of Canadian machinery. I find the opposite.

The plants tell me they are running with full order books and that they are competitive in export markets for price, quality, et cetera. Their greatest current shortages are the two we often talk of: number one, the availability of skilled manpower, although I do not think it is the greatest limiting one; and, number two, the availability of investment capital.

Mr. Peterson: Those are completely in your bailiwick to solve.

Hon. F. S. Miller: The fact is we are now working with them on them.

Mr. Laughren: I will tell you something. I have always stated clearly, and the party I represent has always stated clearly, we believe the resource sector belongs in the public sector. We have never before delved into manufacturing as being in the public sector, but it has reached a point where, at our convention in June, we passed a resolution which is now party policy which said there is room now, because of the unbelievable gaps out there, for the public sector in manufacturing. Mining machinery is a good example.

We have been driven to that, if you want to put it in a free enterprise context, because I do not think it is responsible to sit back and allow

this to continue. I do not know how you justify it.

Hon. F. S. Miller: Mr. Laughren, I have become enough of a pragmatist to know the world is not the way I want it or the way you want it. I am simply saying it is neither white nor black; it is a sort of grey.

Mr. Laughren: I am not asking you for Utopia. I am saying there is one sector crying out for intervention and you will not do anything about it. I do not have any sympathy.

Hon. F. S. Miller: I guess while we tend to deal on the negatives, surely one should look at this province and say it still is not a bad place in which to live.

Mr. Laughren: As long as one is not among the 300,000 out of eight million.

Hon. F. S. Miller: Compare that to a lot of other jurisdictions in the world in this current crunch.

Mr. Laughren: Nonsense. I am looking at the potential out there; we are not tapping it. Surely there is an obligation to tap that potential.

Hon. F. S. Miller: I have finished my remarks. Can we wait for the next day to resume another part of the discussion?

The Acting Chairman: We will stand adjourned until next Wednesday morning at 10 o'clock.

The committee adjourned at 3:59 p.m.

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No. G-5

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Wednesday, November 12, 1980

Morning Sitting

Speaker: Honourable John E. Stokes

Clerk: Roderick Lewis, QC

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LEGISLATURE OF ONTARIO

STANDING COMMITTEE ON GENERAL GOVERNMENT

WEDNESDAY, NOVEMBER 12, 1980

The committee met at 10:21 a.m. in room 228.

ESTIMATES, MINISTRY OF TREASURY AND ECONOMICS

(continued)

The Acting Chairman (Mr. Hennessy): Gentlemen, we will now start the meeting.

Hon. F. S. Miller: The critics were talking, I believe, at the last of the last day. I think Mr. Laughren had the floor. Were you finished speaking?

Mr. Laughren: Yes, I had finished my leadoff remarks. What we were debating when we adjourned was the question of whether or not we wanted to call some people before the committee to talk about the employment development fund grants to the pulp and paper industry. I had expressed the opinion, and still feel the same way, that we should do that for next Wednesday; we should call people like Duncan Allan, formerly of this ministry, one of the authors of the report, and possibly the president of Spruce Falls Pulp and Paper Company, to talk to us about the grants because of the very serious questions that have been raised about the necessity of those same grants.

I still feel that should be done and I would be prepared to put a motion—not because there are not many members here, that is not the point; I tried to put it the other day as well and agreed to hold back until today before putting the motion. What is the wish of the committee?

Mr. McGuigan: We will support that.

The Acting Chairman: If you start are you going to wind up with a full-scale hearing like the Hydro committee that became a monster that keeps on going, like the Perils of Pauline, for ever and ever?

Hon. F. S. Miller: We have 15 hours for the estimates of the Treasury. I think you are asking for five hours specifically.

Mr. Laughren: I could even put it in a way that it would be one day and we would worry about the number of hours in that day at that time. For example, after today we will have used up about eight hours of the estimates, will we not? So I guess there would be two more

Wednesdays then. I am certainly flexible in that sense.

The Acting Chairman: Like Dr. Duksza, I learn as I sit here we really have not got a quorum and if a vote is taken something could come up and the Conservative members could say, "It was not a quorum; we would like to have a vote with a quorum." If we are going to do it, let us wait until we have more people.

Mr. McGuigan: I think our critic should be here too. As I say, I would support it.

Hon. F. S. Miller: He had objected to it only because he felt the public accounts committee was the better vehicle, not at all to the point of view of the investigation.

Mr. Laughren: I think the idea was not to launch, as the chairman says, a full-scale inquiry, but rather to have before the committee people who could give some answers, because the questions have been raised.

Mr. McGuigan: Were you not going to get together and talk about it?

Mr. Laughren: We did and we did not resolve anything. David Peterson was still ambivalent about it. He was not saying yes and he was not saying no.

Quite frankly, I think the problem was that he had not yet talked to the chairman of the public accounts committee. Do you know if he is going to be in this morning?

Mr. McGuigan: I do not know, the whip was looking for him.

The Acting Chairman: Would it not be better if we put it on a back burner until there are more members here and then discuss it?

Mr. Laughren: As long as we do, sure.

Hon. F. S. Miller: Do you wish to start by vote and item today?

The Acting Chairman: Here is Mr. Peterson now.

Mr. Peterson: It is nice to be back. I hope you had a nice weekend.

Is there any chance, Mr. Minister, you want to give us a hint of what you are going to do tomorrow night? Is it going to affect the stock markets dramatically?

Hon. F. S. Miller: Any action this government takes always strengthens the stock market.

The Acting Chairman: Did you not get the sheet we gave out with all the inside information? We just gave them out a while ago; you came in late. Ask Floyd, he just went and made a phone call.

Mr. Peterson: I am sorry I missed it but I guess it does not matter.

One thing I want to ask about is your ministry's involvement in the land purchases earlier in this decade. You were not the Treasurer then and you now do not have responsibility, that has been transferred out, but since there has been a great deal of difficulty in finding out the rationalization, or the rationale, for some of the decisions that were made, and your ministry at that point was the repository for all this kind of stuff, if you do not mind—

The Acting Chairman: Is that another question? Where are you on the items? You were a little late.

Hon. F. S. Miller: We are on vote 901, item 1 right now, main office.

Mr. Peterson: Always, historically, this is part of the general discussion.

The Acting Chairman: Then we had better hold the items and go into general discussion.

Mr. Peterson: The last few years we have always done it that way. We have taken a fairly sort of broad-brush approach to the whole thing. This is under the general administration.

The question I want to ask is do you have any of those studies that were the rationale for the purchase of the South Cayuga property?

10:30 a.m.

Hon. F. S. Miller: As far as I know, none of the parts of the ministry that I now have deal with that kind of material—

Mr. Peterson: They don't now, you are quite right.

Hon. F. S. Miller: —and I guess if one goes back to the construction of the ministry in those days when land-use planning, the parkway belts, the major studies for east of Toronto, et cetera, were going on, a good deal of that was within the ministry. Now I cannot speak from any personal knowledge on it.

Mr. Peterson: What about the deputy? Was the deputy—

Hon. F. S. Miller: The deputy, and I am sure other members of staff who were present at that time, are here to answer questions to the best of their ability.

Mr. Peterson: Maybe Mr. Dick could enlighten us. Were you in the ministry at that point?

Mr. Dick: Yes, I was.

Mr. Peterson: Were you the deputy minister then, at the time of the South Cayuga purchase in 1973?

Mr. Dick: I was appointed deputy in 1974 and those matters were then in progress, let us put it that way.

Mr. Peterson: And Mr. Honey, as I recall from the testimony, was involved in that. To the best of your knowledge, would you be prepared to discuss the subject with us today?

Mr. Honey: I am at the minister's disposal.

Mr. Dick: If you are looking at me, Mr. Chairman, I certainly would not have any objection. I don't think Mr. Honey would. I guess the only thing we would seek to have your indulgence in, if possible, is that as the same matters are being discussed at another committee, I just don't want to cross lines with it, or get into the same materials and so on, if that is a problem.

Mr. Peterson: I appreciate your thoughts on the matter. As I am on that other committee, perhaps I can sort of help steer you so you don't cross lines at any given point. I would be very happy to do that.

Mr. Dick: That reassures me completely, Mr. Chairman. I have no problem then.

Mr. Peterson: I would like to have a discussion of that because it is something that concerns me.

What are you now paying over to the Ontario Land Corporation because of the change in accounting policy, whereby they are not being charged interest on their land acquisition? What is that costing the Treasury now?

Mr. Dick: The cost to the Treasury now—and perhaps Peter Honey and George McIntyre might care to join us at the end, and then if they have any details they could—

Mr. Peterson: Mr. Chairman, with your indulgence, it might be nice to have them with us now, because I think both of these gentlemen were involved at the time of the purchase and they could probably enlighten us.

Mr. Dick: While they are joining us in whatever way is appropriate to the committee, what in fact happened in the transaction you described was that we did away with the requirement of them paying interest on the advances that had been made to them. So that eliminated the interest payments previously paid by them.

Mr. Peterson: Why was there that change in accounting policy? That was in 1979. Why did you change the accounting policy at that point?

Mr. Dick: The basis was that with the amal-

gamation of the various land dealing companies—and as you know, the Ontario Land Corporation, as our holding corporation in my ministry, had been transferred over to the Ministry of Housing, and was there amalgamated with other aspects of their ministry, and other lands were put into it.

The nature of the lands we had turned over were really almost as a land bank, or the original land corporation started in that format. It was felt things had changed, the matters had changed and the nature of what was going on had changed from the time when we introduced the concept of the corporation paying interest on the advances to the time when we made the transfer to Housing. The types of projects envisaged originally were not proceeding, at the then time of transfer, and in that context it was difficult to conceive of carrying on the obligation to pay interest when the original plans had not been carried forward. It was in that context that revision was made.

Mr. Peterson: And who made that decision?

Mr. Dick: The Treasurer made the decision after discussing it with—

Mr. Peterson: Was that the present Treasurer? That was under pressure from the Housing ministry and the land corporation, I assume because it was making their books look bad, this accumulation of interest at quite a phenomenal rate. Was that the nature of the pressure?

Hon. F. S. Miller: I think there were a combination of factors. I had inherited the problems of the reorganized Ontario Land Corporation, and I have to go back and look at records because it was not something I really expected to be discussing today. The fact is the accounting system was not a collection of interest but really the interest accrued against the book value of the lands.

Mr. Peterson: That is right. And that was being accrued from 1973 to 1979.

Hon. F. S. Miller: And I, for one, listened to the arguments being presented on what net benefit to government there was through that accounting process and concluded it was not a benefit. Since no actual change in the relative wealth of the government took place, we inflated an asset by the process that could make us look better off on the asset sheet of the province than we were. Therefore we felt we should not inflate the asset any more.

Mr. Peterson: That depends on the kind of accounting. You could use a cost accounting whereby you carry on your books that it is an accumulated value, but on the other hand, if you wrote it down at the market value you

would have taken a dramatic loss on your balance sheet.

Hon. F. S. Miller: Again though, one has fundamentally different tests in government than one has in business, doesn't one, in terms of profit, loss, and so on? I think most times government gets involved in these kinds of vast undertakings, it is more for social objectives than it is for profit or loss objectives.

Mr. Peterson: What were the social objectives you were trying to accomplish by not charging interest?

Hon. F. S. Miller: Again, I think other witnesses before your committee, such as Mr. White or any other Treasurer involved in the process, would be more aware of the social pressures, and the objectives from regional development and so on, that were very much a part of the forward thinking of the late 1960s, early 1970s, when everything pointed upwards in terms of growth. And one was more worried about lack of infrastructure than one was about any other given problem.

Mr. Peterson: I want to know what the social objectives are from not accruing interest to those—

Hon. F. S. Miller: I am not arguing that is a social objective. I am simply saying a good many little companies have gone bankrupt by not taking a realistic appraisal of the value of their assets. I, for one, felt that one was simply inflating an asset conveniently to hide the cost. One was adding to the value of the asset in a world where one did not have a chance of recovering it.

If that transfer somehow made it more possible to sell the property for a higher price and recover the accrued interest, I would have argued that it had achieved a worthwhile objective.

Mr. Peterson: But you are still losing. The money is still coming out of consolidated revenue. What is the interest cost you are paying out of consolidated revenue now for that land you turned over to the Ontario Land Corporation?

Hon. F. S. Miller: I can't answer that. I don't know whether the staff can or not. It would be because it is lumped in with our general debt, I would assume.

Mr. McIntyre: There is no interest being charged to the land at the present moment.

Mr. Peterson: I am aware of that, but you are paying it out of consolidated revenue.

Mr. McIntyre: The actual payments that came out of the consolidated revenue fund—if you wanted to get into the fact that we are

borrowing money today, you would have to take our Canada pension plan rates and basically say that in the borrowing of money for the CRF, the rate would be around 13.5 per cent.

Mr. Peterson: What is the CRF?

Mr. McIntyre: Consolidated revenue fund.

Mr. Peterson: Okay. What was the value of those assets you turned over to the Ontario Land Corporation? And that was in about, what, 1975 or 1976?

Mr. Dick: The transfer of the lands over to the Ministry of Housing from our ministry was completed in the summer of 1978 as I recall, and I am sure we do have the figures of the total book value as it was then carried in the corporation's books. Do you have that, George?

Mr. McIntyre: Yes. There was a transfer effected June 1, 1978, of \$340.6 million of the land assets over to the—

Mr. Peterson: And that was with accrued interest up to that point?

Mr. McIntyre: Interest of \$93.1 million was accrued.

Mr. Peterson: That \$340.6 million includes \$93 million worth of interest?

Mr. McIntyre: Right.

Mr. Peterson: Okay. Could you tell me roughly what those projects were? That would be Pickering,—

Mr. McIntyre: Would you like to have them broken down, or just the projects themselves?

10:40 a.m.

Mr. Peterson: Yes, just the big ones.

Mr. McIntyre: North Pickering, Townsend, South Cayuga, Edwardsburg.

Mr. Peterson: Just those four?

Mr. McIntyre: Just those four.

Mr. Peterson: Let us say for rough figures, there is about \$50 million worth of interest a year. Would you agree with me? I could be out.

Mr. McIntyre: It could be a little less, but say 13 per cent, in that area.

Mr. Peterson: Yes. All right. About \$45 million worth of interest a year is being charged to consolidated revenue, which for historical accounting reasons would have been charged against the price of the land, and as you say, quite rightly, increasing the cost of that land on your books every year. Are you happy, as Treasurer, eating that out of consolidated revenue?

Hon. F. S. Miller: No. It is very easy to judge someone else's decisions after the fact and say they should not have been taken or they were

poorly taken. I think it is a bit unfair for me to sit in judgement upon another Treasurer when the temper of the House in 1971, certainly when I was elected, was very nationalistic.

I think we had a special committee of this House at that time to look into ownership of Canadian assets and so on, when the growth curbs of the 1960s were being projected through the 1970s. Everything seemed to be coming up roses and we in Ontario wanted to be ready to take advantage of the expected boom both around Pickering and some of those other areas in Haldimand-Norfolk.

The fact that the boom did not materialize as projected in 1971 can, in retrospect, make the decisions not as good as they appeared at the time. I wonder how many of us have had the same kinds of problems in a business. If one had—

Mr. Peterson: A business would be bankrupt, carrying—

Hon. F. S. Miller: Sure.

Mr. Peterson: Even Cadillac Fairview would be in a hell of a lot of trouble carrying this kind of land.

Hon. F. S. Miller: But I would argue that the Cadillac Fairviews of this world also have made a few mistakes of that nature too. A lot of land developers are sitting around the perimeters of our major cities right now with undevelopable or unsaleable lands.

Mr. Peterson: Any developer I know who was spitting out that kind of interest cost every year would be extremely worried about it and would be doing something about it. Now what is your opinion, as chief accountant for the province, about what should be done to maximize that asset, or to try to cut down your losses?

Hon. F. S. Miller: The Ministry of Housing and the Ontario Land Corporation are extremely active trying to do just that. I think Mr. McDonald of OLC must have appeared before you in some of your other committee work, has he not? They were charged with managing it to the best of their ability and recovering the highest—

Mr. Peterson: He is supposed to run it on a break-even basis. I gather that is his mandate. Am I incorrect in that? I am not sure it is that.

Mr. Dick: It is my understanding that the Ontario Land Corporation now is mandated to operate as—I do not know whether "break-even" is the right term, but it is to operate in a businesslike way in accomplishing what it has to do.

Mr. Peterson: And try not to lose money on it. Part of the deal, in order to get him to undertake

that mandate, was not to cripple him with another \$45 million worth of interest every year, charged against his assets. Is that right?

Mr. Dick: That is the result, yes.

Mr. Peterson: It was a deal to make Ontario Land Corporation look a little better.

Mr. Dick: That is not the language I would use to describe it. I think it was a more practical point, as far as I was concerned, than that.

We were turning over our land bank, so to speak, to another crown corporation to administer along with other land dealings; it was to give it a position which, while it would in your language "improve its look," was to meet the reality. The conception of the charging of the interest, in its original context, had changed and now, on the move, that was no longer appropriate.

Mr. Peterson: The reality is you paid out far too much money for far too much land for which there is no known purpose, and it is becoming increasingly embarrassing. If people looked at the Ontario Land Corporation books and saw the inflation in those costs every single year with absolutely no hope, at least that nobody I know can see, of ever recovering anything like the amount paid along with the accumulated interest, it would be a tremendously embarrassing thing, not only for the Ontario Land Corporation but reflecting on the whole government.

Is that not the reality?

Mr. Dick: No, I do not think it is, with respect. In the time I have been associated with it, going back to 1974, and as the Treasurer has pointed out, there was a very real desire, demand and need to look at the development of eastern Ontario and other parts of the province which were away from the metropolitan areas.

As I recall it, the whole process of urban planning, regional planning and development had focused on the problem of the enlargement of all the existing metropolitan conurbations and all that entails, but then, in order to have job creation in the other areas of the province, those areas required some kind of development. The acquisition of these lands in that context was quite different from what it appears to be six, seven or eight years later.

At that time—and I can remember this part quite distinctly—it was felt that, to give a balance to the industrial development taking place in other parts of that corridor along the Great Lakes, it was desirable to—and, as an opportunity, we should—look ahead and see if perhaps there was some type of large industrial

development that might be encouraged in an eastern Ontario context.

It was the then Treasurer's view that the Edwardsburgh area presented such an opportunity. It had the rail transportation, it had the seaway, it had electrical energy, it had the highway transportation system and many other features which pointed in that direction.

That was just an example. What I am saying is that, if there was a mistake, in my own view it would have to be that in the context of the time we were looking ahead and planning for something which, as reality and people's needs and demands and everything else turned out, isn't as viable as it appeared in the eyes of people involved then.

Mr. Samis: What did Claude Bennett say back then, that you had to be off your rocker or something like that?

Mr. Peterson: "You had to be off your nut."

Mr. Samis: You had to be off your nut to advocate something like that—this was the minister from eastern Ontario.

Mr. Peterson: What is your opinion, with hindsight, Mr. Minister?

Hon. F. S. Miller: Mr. Samis, would you really object? Seriously. You represent eastern Ontario and you implied in that process that we should not have taken any action in eastern Ontario.

Mr. Samis: Oh, no. No straw men.

Mr. Peterson: Good God, don't justify this massively stupid act.

Hon. F. S. Miller: I am not trying to justify it. You have to understand that from the opposition side of the House, from your side of the House, year after year after year—

The Acting Chairman: Gentlemen, one minute, please. I do not want a debate. If you want to ask the questions then ask them. If not—

Hon. F. S. Miller: It is fine to say you guys were never there or you never suggested any of these things. I would like to go back to the record and see some of those things you recommended.

Mr. Peterson: Go back and find out, and bring it back next Wednesday.

Mr. Samis: Quote Claude Bennett as well on this.

Hon. F. S. Miller: I was in the House the day Claude said that. The fact remains that the Treasurer of the day, whether it is me or somebody else, is very often in the position of making decisions that some other minister may not be aware of at that point.

Mr. Samis: He was not just not aware of it. He was opposed to the policy in the first place.

Hon. F. S. Miller: He was asked a question by the opposition.

Mr. Samis: No. He was quoted in the *Globe and Mail*, and then he was questioned on that.

Hon. F. S. Miller: That was before he was aware of the project.

Mr. Samis: He said, "You had to be off your nut."

Mr. Peterson: You are a couple of rational gentlemen charged with great responsibility. What is your opinion on November 12, 1981?

Hon. F. S. Miller: In the case of Edwardsburgh, maybe the spinoff is going to be more interesting than we thought. The analysis of the land shows a small amount of the total purchase was of a type and plan that is suitable for industrial development, and I believe it has been retained for that use in the future.

Mr. Peterson: No. It has been retained to grow poplar trees principally.

Hon. F. S. Miller: No, I am talking about some of the land that was retained for industrial use. The balance of it was handed over to the Ministry of Natural Resources about the time I was Minister of Natural Resources to get on with the hybrid poplar program in eastern Ontario in co-operation with Domtar.

Mr. Peterson: How do you feel about South Cayuga?

Hon. F. S. Miller: I do not really have any strong feelings about South Cayuga. Again, it is great fun to look at decisions made by people who were visionaries, who took some risks, and then to slaughter them because things did not turn out the way they saw it.

10:50 a.m.

Mr. Peterson: I have to say to you with great respect, you are judged on two levels in life: You are judged at the time but you are also judged in hindsight. History treats some guys well and some guys it does not. Some who are unpopular at the time turn out to be right and some who are popular at the time turn out to be massively stupid. It is obvious that the South Cayuga purchase particularly—and the other ones to almost as great a degree—was wrong and stupid.

How can you possibly justify a \$45 million interest cost annualized, increasing exponentially, and sit here and say, my God, that you really served the taxpayers well? There is not a planner in the world who sees any kind of progress there.

Why is it not your responsibility as Treasurer to get in there and say: "This is a monumental waste of money. We have to get in there and cut

losses"? You have to put pressure on your cabinet colleagues, Ontario Land Corporation and everyone else involved.

Hon. F. S. Miller: Who says I have not done that?

Mr. Peterson: I am asking you. Tell me, what are you doing?

Hon. F. S. Miller: The fact remains that one of the steps we took to face the reality of the value of the land versus the book value was to eliminate the interest.

Mr. Peterson: The reality would have been to write the thing down.

Hon. F. S. Miller: What would you do with the stuff? Writing it down does not change the basic problem.

Mr. Peterson: If you are not prepared to write it down to its real cost—

Hon. F. S. Miller: There is not a profit and loss balance sheet out there for me suddenly to say they will not pay a dividend this year.

Mr. Peterson: If there is not a profit and loss sheet, why not show the real costs involved?

Hon. F. S. Miller: The fact remains we have to make the maximum use of the land in so far as we can, and that is what we are striving to do. If it is worth \$10 an acre, we will use it, and if it is worth \$10,000 an acre, we will use it. It is academic now because we have a price. I thought we paid about \$30 million for that land in Cayuga.

Mr. Peterson: You did—about \$30 million for South Cayuga and \$30 million for Townsend.

Hon. F. S. Miller: Yes, so if one takes \$60 million in total—I am just curious. You were coming up with a figure of \$45 million a year.

Mr. Peterson: I am talking about \$340 million worth of land you transferred.

Hon. F. S. Miller: That \$340 million included interest charges.

Mr. Peterson: It included \$93 million worth of interest charges.

Hon. F. S. Miller: Yes, so you come back to \$250 million. Is that roughly the purchase price of the assets? I do not know what the bonds are that cover the debt secured in 1974, but if they are any more than about seven per cent I would be surprised.

Mr. McIntyre: They were way down. The interest rates started several years ago at around nine per cent.

Hon. F. S. Miller: In 1974, roughly where were we? Do you know?

Mr. Dick: I know we had one Ontario Hydro issue in 1974 that went at just about 10 per cent.

Mr. McIntyre: The Hydro issue was running at 9.78 per cent back in 1974.

Hon. F. S. Miller: Okay, so take 10 per cent as a round figure as the cost. Our current costs would be closer to \$25 million a year at the original value.

Mr. Peterson: All right, if you do the book-keeping that way, if you use that underwriting applied specifically to those purchases in that year, but at the current interest costs—

Hon. F. S. Miller: I am not trying to defend the decision as being correct. Obviously you have the great advantage of saying it is not. I think the evidence has shown that it has not turned out well and I am not trying to say it did.

Mr. Peterson: What are you doing about it?

Hon. F. S. Miller: One can only try to get rid of the assets slowly and at whatever value the marketplace will bring.

Mr. Peterson: What is your policy? When you sit at a cabinet meeting, what do you tell Claude Bennett?

Hon. F. S. Miller: I do not have to tell you what I tell people in cabinet, you know that.

Mr. Peterson: What is your position on it?

Hon. F. S. Miller: I am not going to discuss here what I say in cabinet. It is as simple as that. That is one of the privileges I have as Treasurer, to give some advice on that. I would like to be out of that land. It is as simple as that.

Mr. Dick: Mr. Chairman, may I just observe, in answer to Mr. Peterson's question about what we did about it, some years ago, long before the present Treasurer joined us, we recognized that changes were taking place. It was at that time, for instance, that the Ministry of Government Services took over the leaseback of the land in Cayuga to previous owners and others to carry on productive farming or the uses that previously had been made of it, and so on. The same was done in other areas where the lands had been acquired. In cases where there were no people who wanted the lands, they were given to other government ministries to undertake some productive use.

Early on, as the scene started to change and the objectives became different, we did try to offset it as far as possible without disposing of the lands, because at that time it was still felt that the lands were desirable as assets for the province in the long term.

On your second point respecting the cost over the years, when we speak of the cost to the province, I guess because I am a lawyer by profession rather than an accountant I look at it differently. We do not carry any of our other

assets as values in our books; in other words, it is all done on a budgetary basis—as with the moneys we expend for hospitals, universities, highways, buildings and all the other so-called physical assets that in the private sector would be reflected as assets and so on in the books. In those cases there is more of a logic to charging the interest back because that becomes the cost of an asset you are carrying in your books.

In the province, where we have to buy so many of these large capital things, we do not do that. It was thought some years ago, when we moved away from carrying our capital assets on our books and went on to the cash accrual system, or cash versus accrual system, that the net result in having assets such as these carried over the long term would be for the welfare, we hope, of the province in the future. The charging of interest and the recording of it and charging it back in current terms just does not seem to accomplish a purpose.

Mr. Peterson: There are two things. First of all, it is highly questionable whether this is going to benefit the long-term future of this province or its taxpayers in any way whatsoever. As a matter of fact, the exact opposite is true. It is just a drain on the Treasury. That is number one.

Number two, the reason, in my view, that one would have to accrue interest against these costs to have a real appreciation of what it is actually costing you is because they were bought for disposal. These were not like hospitals or roads to be held by the taxpayer in perpetuity for his common use. This was bought to sell. It was bought to generate an economic rate of return.

I do not think the intention then, as it is now, was to give the land away for free. It was to develop it, establish lots, build houses and build two cities, each with a population of 250,000, and sell it back.

Presumably the rationale, of course, was to provide affordable housing. In retrospect, in every single study I have seen, including the Greenspan report—in fact, there is no evidence anywhere that land banking by governments decreases the cost of housing.

Hon. F. S. Miller: You may be ideological or philosophical or whatever you wish on a topic like this. I have no trouble telling you I have never believed government should get into things the private sector can do. Perhaps this is an example of a case where it tried to do that because it sensed the private sector was either not willing or not able to do the job that had to be done, or did not have the vision necessary.

Mr. Peterson: In retrospect, do you know

what should have happened? In retrospect, John White should have left that property with the consortium. He should have left it to Victoria Wood, Revenue Properties and Sifton to develop and he should have kept his nose out of it. Those guys would probably have built a reasonably nice city.

Now we have a situation at Townsend where I gather a sum total of seven lots have been sold. That is the latest figure, to the best of my knowledge. The odds of that reaching 20,000 by the end of the century are highly questionable. In South Cayuga the whole project is functus.

Hon. F. S. Miller: You saw the comments in the press a week ago. Someone was delving into Stelco's predictions as to the size of the operation and their employee work force. I cannot regurgitate the figures, but it strikes me they were looking at a work force of 100,000 plus, were they not?

Mr. Peterson: No, they are looking at possibly 3,000.

Hon. F. S. Miller: I am talking about years ago.

Mr. Peterson: No, I think the maximum they were going to get was 11,000. Now it's 3,000.

Hon. F. S. Miller: I saw a very high figure and somebody at Stelco saying they were a bit embarrassed by their prediction.

Mr. Peterson: Bechtel did a study. The reason White got all screwed up—and he was a great generalist, I guess—was that he read a figure somewhere that there was going to be a population of between 800,000 and 950,000 in southwestern Ontario south of Highway 401. He did not really quite connect with that. He thought that meant it was all going to be in Haldimand-Norfolk. That is what he used as his rationalization.

Then, according to him, at some point in there he cut his figure of 900,000 in Haldimand-Norfolk down to 500,000. He was driving home to London one day and he said, "Gee, I do not want a city of 500,000 down here. I think I will have two cities, like bookends, two cities of 250,000 people, because London is such a pleasant city." I agree with him that London is a very pleasant city. He thought he would have two cities and he bought them both.

That was, it seems to me, the extent of the thought that went into the whole thing. That was in the back of his limousine one day. That is another reason why you guys should not have limousines, you do funny things in the back of them.

I am going to ask Mr. Honey, who is here, and who, I gather, was there at the time, if he was

aware that John White was going to buy South Cayuga.

11 a.m.

Mr. Honey: No.

Mr. Peterson: What were you doing at that time?

Mr. Honey: I was the assistant deputy minister for urban regional planning.

Mr. Peterson: Were you aware that Townsend was going to be bought?

Mr. Honey: Yes, because there was a report; the government released a report in 1973 and there were—

Mr. Peterson: Which report was that, do you remember?

Mr. Honey: That was Threshold of Change, which was volume one of the Richardson report; and then there was a second volume that dealt with the regional government. The province, I think, had just then introduced legislation for regional government. So we were concerned, I guess, with the planning of the new town in that area.

Mr. Peterson: On the basis of that report, Threshold of Change, your advice was to go ahead and make a deal with the Victoria Wood, Revenue Properties and Sifton consortium?

Mr. Honey: I did not advise on that.

Mr. Peterson: Do you know what advice the ministry was giving the minister?

Mr. Honey: In what regard?

Mr. Peterson: With respect to those purchases.

Mr. Dick: May I clarify something that I think is very relevant to Mr. Honey's problem and to yours, Mr. Peterson? When I came into the ministry in April 1974, the Treasurer advised me as to the acquisition of these lands.

Mr. Peterson: That was Mr. McKeough, or Mr. White?

Mr. Dick: No, it was Mr. White at that time. Mr. White advised me he was acquiring these lands through a different vehicle, through a private vehicle, an outside agent acting in trust for the government, and that nobody else in the ministry had been consulted or was aware of the process going on. At that point, I was the only person in the ministry, as I understood it from the Treasurer, who had been told that this was happening.

Mr. Peterson: We are talking about South Cayuga at this point?

Mr. Dick: South Cayuga and Edwardsburgh.

Mr. Peterson: And Edwardsburgh, the two of them.

Mr. Dick: In both of those cases, which were the ones where the lands were acquired through an agent acting in trust rather than through the public system. So the people in the ministry had not been consulted about it, as I was told, neither had they been privy to what was then going on in those two areas.

Mr. Peterson: What was Mr. White acting on? Why would he say, "I think we should have another 12,000 acres and I think they should be here, and I think we need Edwardsburgh here"? Was there any piece of paper in front of him saying that was a good idea, were there any studies, were there any planning reports, was there any advice from anybody?

Mr. Dick: I guess I just cannot transpose myself and tell you what was in the Treasurer's mind. As I say, I was just advised it was happening, but my own perception of it at that time and my present recollection is that it was an alternative site in the event that some of the other sites in the Haldimand-Norfolk study were not seen to be viable.

In that context there was an acquisition being made and it was being acquired in this particular fashion. But as I say, I do not know and I was not aware as to the background of it or Mr. White's then view of it.

Mr. Peterson: As best as I can determine, he optioned South Cayuga as an insurance policy against his potentially difficult negotiations with the consortium on Townsend. He wanted that up his sleeve so he could deal with the Townsend group if they got nasty with him. Is that what we are talking about now, the optioning process?

Then he decided to exercise those options in the fall of 1973, I believe. He could have let those options go and written off the cost of those options but he decided to exercise them. Did you have discussions with him before he decided to exercise those options?

Mr. Dick: We had discussions. I actually was only present at perhaps two or three meetings throughout that whole process.

Mr. Peterson: Were these the meetings in his apartment, supposedly?

Mr. Dick: Pardon?

Mr. Peterson: Were these the meetings in his apartment with the representative of A. E. LePage?

Mr. Dick: I recall being at one meeting in his apartment. I recall the first time I discussed it with him we were working late and were having dinner and he described the process to me at dinner. That was one meeting; I recall one meeting in the apartment. There may have been

others at which I was not present, but there were meetings.

As I say, in answer to your first observation, yes—now you have sidetracked me with the location of the meetings and I have forgotten the substance of the other question. I am sorry.

Mr. Peterson: I was curious as to what information he was acting on when he decided to exercise the options in South Cayuga.

Mr. Dick: Oh yes. I remember being present at discussions when the options were advised. I do not think they were exercised in 1973, because when I became aware of it in 1974 it was still a case of the options being outstanding—the value of those options and the values of the lands with respect to which options were being taken and so on. That was a process that was going on in discussions between the Treasurer and the people who were acting as his agents.

I do not recall and I was not involved in discussions as to the process of exercising options or the desirability of exercising them.

Mr. Peterson: Did you ever see a piece of paper anywhere, a study that recommended two town sites in Haldimand-Norfolk?

Mr. Dick: Peter Honey would probably be better on that. As I recall it, that general area was one of the options in the original report, in the Haldimand-Norfolk study, although it was not a preferred option. Was that not the Cayuga area?

Mr. Honey: There were several potential town sites. In the report I think the preferred town site was somewhat to the west.

Mr. Peterson: It was called Woodhouse.

Mr. Honey: That's right.

Mr. Peterson: The speculation was going crazy in there apparently, running at \$6,000, \$7,000, \$8,000 an acre.

Mr. Honey: There was a lot of activity in the area, as I recall. But I am not aware of any separate studies which advocated new and different town sites. I think the potential town sites were contained within that study, Threshold of Change.

Mr. Peterson: Are you aware of any studies that recommended two town sites as opposed to one?

Mr. Honey: No.

Mr. Peterson: Can you shed any light on this whole question of why two were purchased, as opposed to one?

Mr. Honey: No.

Mr. Peterson: You can't, Mr. Dick? You don't

know why two were purchased, as opposed to one?

I am not asking you to look into the Treasurer's head because that is impossible for any of us, but from your vantage point did you see any studies, any supporting documentation or any independent corroboration, outside of what the Treasurer thought about the situation, that recommended two town sites?

Mr. Dick: No, I cannot recall any independent outside corroboration indicating two town sites.

Mr. Peterson: Did you personally know before he proceeded to exercise those options in South Cayuga?

Mr. Dick: Did I personally know of what?

Mr. Peterson: That he was going to instruct A.E. LePage to exercise those options?

Mr. Dick: No. If I am following you correctly, you are asking if I had personal knowledge of his intention to acquire those before he entered into the process.

Mr. Peterson: No. The optioning is one thing we are aware of; but with regard to the exercise of those options which occurred a few months after the options were taken out, were you aware, when he decided to proceed and exercise those options, that he was going to do it?

Hon. F. S. Miller: Did you say that was in 1973?

Mr. Peterson: I may be wrong. It may be 1974.

Hon. F. S. Miller: Because if it was 1973, that predated his time.

Mr. Peterson: Okay. Maybe it was 1974.

Mr. Dick: I do not recall, in the discussions I was privy to, any details of when they would exercise the options or if they would exercise them and so on.

Mr. Peterson: Do you know if this went to cabinet? Was this a cabinet decision?

Mr. Dick: Which decision?

Mr. Peterson: To exercise those options.

Mr. Dick: I could not tell you that. The Treasurer would have to advise on that.

Mr. Peterson: What about Edwardsburgh? Were there supporting studies there?

Mr. Dick: At this time I do not have any recollection of having seen a study on Edwardsburgh. If there was one, I cannot recall it now.

Mr. Peterson: Mr. Honey, were you aware of any?

Mr. Honey: No, I have no recollection of one.

Mr. Peterson: Mr. McIntyre, were you involved in this at all?

Mr. McIntyre: I came in and was appointed treasurer of the Ontario Land Corporation in 1975—

Mr. Peterson: After all this.

Mr. McIntyre: —although I was in the ministry then, on the finance side. But I had no knowledge of those particular aspects. I was appointed to be the treasurer of OLC and to handle the financing parts of OLC once the corporation itself began.

Mr. Peterson: I do not want to be unfair, but just so we can determine this, no one besides the Treasurer knew—because you gentlemen did not know and you are on the inside—either that the options on South Cayuga were going to be exercised or that Edwardsburgh was going to be purchased. You had no knowledge ahead of those actions being taken. Is that right?

Mr. Dick: If that is addressed to me, no, I had no personal knowledge.

Mr. Honey: I had no knowledge either.

11:10 a.m.

Mr. Peterson: Okay. This is an extraordinary series of circumstances.

I just want to go back to the Treasurer for a minute on the financing aspect. You argue on the one hand, from an accounting point of view, that there is no benefit in accruing interest to the capital costs involved in those lands. Why would you not argue, a fortiori, that to get a realistic picture of those lands they should have transferred those over at market value?

I have to generalize, but what we have established is that the provincial auditor hired two different evaluators to go in and look at those lands. They are worth roughly a third of what they are being carried on the books at—that could be out, but a third to a half—if there is any market at all. They are on the books at an extravagantly inflated price.

If you want to be realistic and follow your line of argument, why would you not have written those right down to their market value, taken the capital loss in Treasury, and at least given the Ontario Land Corporation a fair chance to try to make something viable out of it, or at least not lose a bagful of money on it?

Hon. F. S. Miller: I am sure that was an option. I do not know what the auditor has said on that topic. My staff would be more familiar with it than I.

I inherited the Treasury ministry at a time when these changes and amalgamations were taking place, and it seemed an appropriate point to stop the accrual. I did that much. I did not take any further steps.

Mr. Peterson: Why not write it down then?

Hon. F. S. Miller: One could do so. I only argue that it is academic in any case. My current job is not to make the OLC look good or bad; it is simply to hope that the OLC can make the best of what is not a particularly good situation.

Mr. Dick: Mr. Chairman, I would just like to confirm what the Treasurer observed. Part of the nature of the transaction, in turning it over to another corporation, was to ensure that the government got the best arrangement and system and vehicle to dispose of those lands in whatever way would be to the best advantage to the public.

In doing that, the corporation had the option, as the Treasurer called it, of doing things such as writing it down to then market value or carrying it at book value and disposing of the interest obligation, and so on; all things that the new land corporation thought were appropriate to give it a proper business stance and so on. But it was thought that reducing the interest obligation took it sufficiently far, and, as I recall, my view of it was that this gave the Ontario Land Corporation a reasonable advantage and soundness in its financial position to move ahead and do something constructive with those lands.

I would just make another observation in fairness to the then Treasurer. I do know that all the pricing and all the valuations that were being given to him at that time, as it was told to me and as I saw it, were being given by the outside consultants. They were advising him on it. He was not acting, in regard to the valuations and the setting of the prices, on anything other than what I presume was the best professional advice on land he could get at that time.

Mr. Peterson: Or at least what he had to pay for it. He paid between \$1,000 and \$3,000 an acre, depending on whom he dealt with. It averaged out around \$2,300, as I recall. I just do not recall off the top of my head. The market value of that today, depending on whom you talk to—

Hon. F. S. Miller: Let's be realistic. If you set out to purchase any piece of land where as many potential vendors are involved as were involved in any of these parcels, you are going to run into a great number of people who are not anxious to sell under any conditions.

Mr. Peterson: Sure, I understand that.

Hon. F. S. Miller: You know full well that if you wanted it for an industrial site you would end up tempting the people by offering them something that was a great deal more than the price they currently could get.

Mr. Peterson: I am not disagreeing with that, assuming it is worth while or there is some productive reason to buy it. I understand why you would pay more than the market value. But in retrospect the point is that the accrued interest—whether it is being charged or not is not the point—is increasing faster than the market value. It appears it is going to be that way for some substantial time in the future. That said, the longer you hold it the bigger your losses.

If you look at this interest figure of \$45 million a year on the whole package—that is, at current interest rates of 13 per cent or so—that is a hell of a lot of operating expense for hospitals or for funding universities or for investing in something that is going to show an economic return for this province in terms of jobs and everything else.

Hon. F. S. Miller: I am going to counter your argument though. If you are using \$350 million—or whatever the figure is you are using for the current value of the land—and telling me it is three times the current market price, and if you are telling me that I have a potential saving of \$45 million of interest charges a year if I get rid of it, I would have to argue I do not. If your arithmetic is accurate and they are worth \$120 million, for argument's sake, and if I recover \$120 million through a distress sale of some type, then all I am saving is the interest on \$120 million.

Mr. Peterson: Okay. I was talking from the point of view of its not having been undertaken in the first place. But let's go back to your figures. You are right. You would never get this money out of it.

If you agree with my point that the interest costs are accumulating faster than the market value is increasing—and it appears they will continue to do that in the future in a time of depressed economic activity and relatively high interest rates; and most people do not see any return to the halcyon days of seven and eight per cent interest—that being said, why would we not undertake some program that would get it back into the hands of, say, young farmers, even if we had to finance them back?

It is a known fact that tenants tend not to treat land as well as the owners; they tend to rape the land a little more and take a little more out of it and under fertilize and all those kinds of things.

It seems to me a massive program of that type could be undertaken. It is not going to be easy—there are going to be a lot of dislocations; it is going to create a lot of bitterness and unhappiness—but at least you would get something back for it. The land will be better treated and go back into the hands of people

who can organize it the best way. It fits perfectly into your free enterprise philosophy. At least there would be some economic return that you could use for other purposes.

As I see it, the big problem here is the failure of government to admit a mistake. It is like Minaki Lodge.

Hon. F. S. Miller: I am not having any trouble admitting to a mistake.

Mr. Peterson: Then you have to stand up and do something about it.

Hon. F. S. Miller: That is what we think we are doing, whether you like it or not. I think Mr. McDonald of OLC is taking—

Mr. Peterson: Mr. McDonald has no plans for South Cayuga. He has been asked this question. You can read the transcripts. When asked, "What are you going to do with South Cayuga?" he said: "I don't know. We are going to hang on to it for a while."

He has no plans to divest or develop or anything else. He has no plans to handle all the periphery around Townsend. Good God, there are 12,000 or 13,000 acres. His big heralded development is, at best, 400 acres in the middle of it. There is still all this land on the periphery that nothing is ever going to happen to.

It seems to me he needs a shove from the government, saying: "Look, get rid of this stuff and turn it to productive purposes. Give it to farmers. Keep it in farm land."

The only thing he is happy about is that Environment has come along and said, "We need a place to dump our PCBs and toxic chemicals, and we may be able to dump some on South Cayuga." It is almost the same degree of intellectual honesty as trying to justify Edwardsburgh to grow hybrid poplars. You come along five years after the fact and try to think of something to do with a mistake, try to turn a white elephant into a blue elephant or a black elephant, by changing the purpose of it.

There has been no recognition from anybody on high. This is the first time you have admitted it. The Premier (Mr. Davis), who I guess calls the shots around here, sure is not prepared to take remedial action because the process of taking remedial action will be a patent admission of error and mistake. I guess because he was the Premier at the time he feels it is his responsibility, as well it is.

But it is almost like the Minaki situation. Rather than write off the first \$400,000 mistake, we are now into \$25 million with a total question mark about whether it will ever pay. The odds are it won't. It seems to me there is a time when most business people cut their losses, and that is what you have to do.

I have a bunch of other subjects I want to discuss, but I will give someone else a turn.

Mr. Laughren: I have nothing on this particular vote, Mr. Chairman. I would prefer to go on to the next vote unless the member has something.

Hon. F. S. Miller: Did vote 901 pass then?

11:20 a.m.

The Acting Chairman (Mr. Leluk): I'm sorry, Mr. Minister, I left my seat for a minute.

Mr. Peterson: I have a number of items of general interest that I want to discuss. As long as the Treasurer and the deputy are happy to have a sort of free-ranging discussion over the next couple of days and not hold the discussion to a particular vote, I am happy to vote the whole thing through now and then discuss it later. Are you unhappy with that?

Hon. F. S. Miller: If you passed everything right now, I would leave.

Mr. Peterson: Everything except one. We would hold it all for the Ontario Economic Council discussion. That is, as long as you are not unhappy at taking a broad-range approach.

Hon. F. S. Miller: I will respond personally. The chairman, I think, has to make the ruling. This has occurred before. I think the last time the three of us agreed that we would go on in an unstructured way but the chairman in the House did not agree with us. I believe it was Mr. MacBeth at that time. He said we could talk all we wanted to, but the rules were such that he was supposed to go according to vote and item.

I have no problem. I see myself as being available for 15 hours of discussion, and those 15 hours will be used the way my critics wish to use them. At the end of that time, I hope the vote is passed. If they are all passed in the last 10 seconds it does not really matter too much to me.

Mr. Laughren: With a reduction in salary.

Hon. F. S. Miller: I thought the one thing you would all agree upon was that the minister was underpaid.

Mr. Laughren: In addition to the other members.

The Acting Chairman: Are there any further questions or discussions on vote 901?

Mr. Peterson: I have another subject, but I do not want to be unfair with the time. Mind you, Mr. Laughren was a little unfair last time.

I want to talk about a new subject. I want to talk about the senior citizens' grants. It is my view—I have expressed it before but I want to have a discussion about it, and I am sure my colleagues from all parties will want to discuss this—that what you did was a crass political thing. You have taken on \$3 million more in

administrative expenses to start mailing out the cheques under the government's signature. You have disillusioned a lot of people.

I can tell you that my constituency office is jammed with phone calls on this thing. In the House the other day Margaret Birch said I was crazy, but I would be interested in the experiences of my colleagues on this thing. I have had literally hundreds and hundreds of calls from people who applied two or three months ago and who have not received their cheques and they are worried about it.

There is no government I know that understands the psyche and the thinking of senior citizens better than your government does. You know how you can upset them. You know the fear you can generate in them if you want to. You know how you can placate them. You know they like little cheques here and there. But I will tell you, there are an awful lot of them who are very, very upset right now. They think they have been forgotten or missed or whatever.

I recognize it is the Ministry of Revenue's responsibility to get these cheques out, but I can tell you it sure has created a lot of problems for a lot of people, and a hell of a pile of problems for the members. Trying to sort through those telephone calls and track down the status of individual people's applications is sure a problem.

I recognize, as you recognize, that you did not get enough political credit out of using the tax system because everybody thought they were getting this money through the beneficence of the great Pierre Trudeau, rather than the great Premier or Treasurer of Ontario, but I am telling you it is sure causing administrative problems. I guess you have to judge whether you are getting \$3 million worth of political credit for the \$3 million worth of extra administrative expenses that, by your own admission, you are paying, because I am not sure.

I can also tell you that a lot of these sorts of cheques create a lot of scepticism too. My guess is you are not going to get as much political benefit out of it as you thought you were. But that is a subject for another day.

I want to ask you this one more time: You have an opportunity tomorrow night to do something and I assume you are going to take a stimulative posture of some type or another within whatever fiscal constraints you feel you are operating under. I will tell you, it is impossible to decipher what you figure your fiscal constraints are.

I have never seen a government that is more flexible on its financial and fiscal policies than yours. Yours tend to move with the times. If the political mood is one of stimulus, or if you feel

people want you to spend more, you do; and if you feel they want you to tighten up, you do that, or at least you give all of the figures between years to give the appearance of so doing.

If you are going to stimulate, one of the ways you could stimulate is by bringing some equity and some fairness to this senior citizens' program and by extending it across the board. At least bring back what they used to get, the \$110, or something.

You have further disadvantaged those who are most disadvantaged in society. You run your social programs—I want you to know this—in exactly the opposite way to what I think should be done. I am one of those who happens to believe we have to look very seriously at the universality of some of our programs. We have run into fantastic costs with these transfer payments. It is my view there are a number of wealthy people in this world, wealthy seniors, who may not need the same kind of assistance, and those are the ones, generally, who are going to get the maximum assistance.

It should be weighted exactly the opposite way, so the maximum benefit goes to the poorest. Those who happen to be in this situation are a number of those who are in nursing homes or living in small rooms, paying little rent, or living with their children and that kind of thing. Those are the people to whom \$50 is an extremely meaningful amount of money. There are an awful lot of people like that.

For the sake of political expediency or administrative neatness or whatever, you have approached the problem in a completely wrong way, in my opinion. I am damned disappointed about it and I am going to continue to complain as long as I possibly can. I can tell you, it is going to be a big issue in the campaign with us because we think there is a lack of fundamental equity and fairness in this program.

I do not know what the costs are—and I want you to tell me—of extending at least the minimum they received under the old system to those 100,000 or so people who are the most disadvantaged and who are not getting the benefit of these programs. As I recall, the price was about \$80 million or something like that; I forget the figure. But if you have any room for stimulus, surely that is the place where it would be most fairly applied at this time.

Why do you not just say: "We are going to do it. We are sorry about what we did before"? You do not even have to apologize; I do not expect you to. Just bring about something that is going to help those people who are in the most need.

If you have to cut it off the richer ones, then

cut it off the richer ones. That does not bother me in the least. There are a lot of seniors, who are probably friends of yours, who do not need the same kind of assistance some of the poorer ones do.

The whole program is cock-eyed. It is completely backwards from the kind of system that should have been implemented. I implore you, I am asking you, to consider possibly changing it tomorrow night, and if not then, at least in the next budget—if you have time to bring one in, which you probably will not.

Mr. Laughren: Another dimension of the Liberal restraint program.

Mr. McGuigan: May I make a comment here? As you are aware, Kent county is certainly a very rich part of Ontario. I have people coming into my office saying: "I do not need this money. It is just a political gimmick." It rather surprised me.

Hon. F. S. Miller: I have not had one of those, and believe me, I have lots of people who would meet any of the criteria you talked about.

Mr. McGuigan: The number of people who have come in has been quite surprising.

Hon. F. S. Miller: I would like to meet some of them. I would be pleased to have a delegation come down to Queen's Park and express that view.

Mr. Charlton: Then pay their expenses.

Hon. F. S. Miller: They do not need us to, obviously.

Let me address a couple of your points. You attacked us on two fronts: number one is the administrative front and the second is the design of the program.

The administrative one is the kind of thing every politician, while complaining loudly about it, is delighted to see because you get your marks in your community by helping people. You need people to have a problem with government—

Mr. Peterson: Just a minute. I want to stop you there. You see, I am not one of these guys who goes around and creates a problem to prove what a decent son-of-a-gun I am.

Hon. F. S. Miller: Not that you are aware of.

Mr. Peterson: I do not have to do that. There are enough worthwhile and serious problems in society without creating more of them just so you can be a hero and solve them.

Hon. F. S. Miller: Now who is being thinned?

Mr. Peterson: You are just wrong. When you are wrong, you should be corrected.

11:30 a.m.

Hon. F. S. Miller: I would be corrected all the time on your assumption. I am only saying there are the two problems. Sure, we have a number of administrative difficulties the first time around, but they are not all of the government's making. One of the problems one runs into with people who are over 65 is that for some of them filling out any form is something of a challenge.

Mr. Charlton: That is a problem of your making, though.

Hon. F. S. Miller: I am talking about any form of any kind. Obviously a number of people filled out forms incorrectly. Those are being worked through reasonably quickly.

I have found, like any other elected politician, that a number of people have called my home—not great numbers of them; if I get two calls a week at home and 10 in the office that would be about it—saying, "Can you find out where my cheque is?" That is the general question. Or, more specifically: "I know I did not fill out the form. I just signed my name and returned it. Can you help me get my cheque?"

It is in cases like the latter type, and there are quite a few of those—I think we have all run into them—where they need some guidance. We therefore try to find the form for them and try to resolve the problem for them.

Mr. Charlton: On the other hand, my staff filled out 400 or 500 of them.

Hon. F. S. Miller: I am sure all of us did and, again, probably quite happily. I have filled out income tax forms in our office for people who have come in. It is a service paid for by the taxpayers of Ontario on behalf of a local politician to ensure that he will have an advantage when his competitors run against him, no matter what his political stripe, and you know that.

The Acting Chairman: Mr. Peterson, have you finished your questioning?

Mr. Peterson: No, I want to hear him answer this.

Hon. F. S. Miller: I am reasonably satisfied the administrative details will basically wash through this first time.

If you go back to the time when the drug benefit program came in, we saw a similar phase of difficulty while people got used to the system and to the cards and the drugs that were listed. Before long that was accepted by seniors as a top-grade program and today there are very few complaints. The acting chairman will probably be able to discuss that with far more knowledge than I because he is a pharmacist, or was at one time.

The Acting Chairman: I still am.

Mr. Peterson: He is rich because of your program.

The Acting Chairman: Just listen to Mr. Ziemba.

Hon. F. S. Miller: With regard to the second part, the program design, I reject your comments completely. First, I do not know where the people are who are angry at this government for bringing this in. They sure are not in my riding. They sure are not in the ridings I am visiting, and I visit a lot of ridings right now.

In the several months this has been mentioned by seniors, I have not heard anything but either, "Help me find my cheque," or "Gee, thanks a lot for having this kind of program." The acceptance by senior citizens has been amazingly high.

While I was waiting in line in the hospital yesterday morning for some blood tests, a good old friend who is about 68 walked up to me. He has been a Liberal all of his life, I might say. He said: "Frank, I just got my cheque. I think any program like that that helps keep me in my home is a good use of government money."

That is the kind of thing I hear over and over and over again. I guess the very fact that we are being attacked as often as we are in the House and other places is an indication that, in truth, you know we are speaking the truth.

Mr. Peterson: Jesus, that is presumptuous of you.

Hon. F. S. Miller: You only attack us when it hurts you.

Mr. Peterson: You know, you are getting cynical in your old age.

Hon. F. S. Miller: Yes, I am, but you told me it was a crass political ploy.

Mr. Peterson: Of course it was. I have never seen a Treasurer who puts things in more political terms than you do. That is your understanding of the world.

Hon. F. S. Miller: My friend, I am a politician.

Mr. Peterson: That is your understanding of the world, the number of little old ladies who come up and say, "Aren't you wonderful?"

Hon. F. S. Miller: I am a politician. I do not think anyone in this room who is a politician should apologize for being one and learning to live by the rules of the game. When it comes to being a politician, I go to Ottawa for lessons.

Mr. Laughren: We have noticed that.

Mr. Peterson: I will tell you, you have not learned very bloody well.

Hon. F. S. Miller: Mr. MacEachen could teach me a thing or two yet, I will tell you.

Mr. Peterson: You're not just kidding he could. Just occasionally there should be the odd moment of class in this business.

Hon. F. S. Miller: I know that under your regime there would be no friends appointed to any agencies, boards or commissions or any of those great things we have done. I guess the federal Liberals do not appoint any friends to agencies, boards or commissions, do they?

Mr. Peterson: I admit this is kind of a grubby business, but I will tell you this: there is the odd guy who distinguishes this business with the odd moment of class or with the ability to look beyond. You have never demonstrated that, very frankly.

Hon. F. S. Miller: No, that is quite true. I live right in the middle ground there.

Mr. Peterson: No, actually in the lower.

Hon. F. S. Miller: As far as the design of the program goes, let me defend it. What we had before was a growth of a program that was aimed at some property tax assistance and, like Topsy, grew to quantify or approximate the needs of people for some sales tax relief, some property tax assistance, some over-65 relief and some hidden income assistance.

The federal government and ourselves have had pretty good programs for income assistance. It seemed to me that we should sharpen up the objectives of both the income assistance programs and the property tax assistance programs.

The income assistance programs are obviously income related. I had a choice to make. We knew the federal government was going to be enriching the basic income assistance program under the guaranteed income supplement. They had kindly told us that in advance.

Mr. Peterson: It about keeps pace with inflation.

Hon. F. S. Miller: They keep pace with inflation on a quarterly basis. The fact remains, they made one major increment of the \$35 a month that was not related to inflation; it was there to enrich the general support level.

We also looked at the \$110 a month figure you keep referring to and put it to \$120 a month, maximum support level, for people on guaranteed annual income supplement in Ontario; so we had an income-tested replacement of \$110 with \$120. I would have argued that where the kinds of people you are talking about who were in extreme need existed, we put an income supplement in Ontario of \$120 a month which, added to the federal increase of \$420, raised those basic people by \$540 a year. That looked after the income test side.

On the property tax side we simplified it right

down and simply said, "No income testing up to \$500 or 20 per cent of rent," whichever one we used. I would argue that is, in keeping with the kinds of promises we have made to senior citizens, one of the simplest ways of refunding certain elements of property tax we could have in the province.

We had talked to them about reducing the burden of education tax and about a number of other areas, but this simple technique of giving up to \$500 met our kinds of commitments. I forget what the final figures were—my staff can look them up—but it seems to me we are now paying 60 to 63 per cent of the total taxes of all the senior citizens of the province, and that roughly half the senior citizens in the province have all of their taxes paid.

With that kind of test in place I think we have achieved a very important social goal. I know people are glad to tell me the Harold Ballards or the E. P. Taylors of this world got \$500. You know the system will recover that in some way or other.

Mr. Peterson: Are you sending a cheque to E. P. Taylor in Lyford Cay?

Hon. F. S. Miller: If he is not a Canadian resident, the answer is no.

Mr. Peterson: I was just kidding.

Hon. F. S. Miller: But his name was used, I think, by your leader a few times as an example of a successful Canadian. Or the Gordon Sinclairs; the first person to call me was Gordon Sinclair to make sure he got it.

Mr. Peterson: Christ, you got rid of succession duties for him. What more does he expect from you?

Hon. F. S. Miller: One of the ethics I would hope you and I would support has been a belief in, say, the overachievers in society; the people who have never really needed to earn more money than they currently do—like Gordon Sinclair—but for some reason keep on working hard, either in their companies taking risks or producing in society.

Those people look at the world and say: "I have done a fair amount for it. I know I have been well paid for it, but everything government ever does is slanted the wrong way." They feel a bit disenchanting with the system.

I was supporting one of my fundamental beliefs that there are some programs in this world that should not be totally income related. The property tax assistance was one of them. A lot of people who had gone through the 1930s, nursing a few dollars a month into a pension plan, and who just managed to disqualify themselves from everything government came along

with, always felt they had been the fools. They do not quite feel that way with this program. They finally feel that government has done something for them. A lot of them are very appreciative.

Mr. Peterson: That is the philosophy of helping the rich.

11:40 a.m.

Hon. F. S. Miller: You can interpret it any way you want to. I am simply saying to you that people who applied some of the principles alleged to be important—to save, be thrifty, to invest, all those kinds of things—but who ended up finding that the real dollars disappeared through inflation, feel that they were recognized for a change instead of being ignored in a government assistance program. I think that is important on a psychological basis. Talk to some of them out there. They feel that very strongly.

Mr. Peterson: You feel it is important to those 100,000 people who will be getting less?

Hon. F. S. Miller: You are always zeroing in on that. First of all we have to start taking the numbers apart, and my staff can do that. I would be glad to have Tom Sweeting, or someone else, come in and give you the breakdown of figures to show who really got less and where.

If they are in nursing homes or homes for the aged, I think the argument is spurious. The state moved in and increased the comfort allowance by \$35 a month to something like \$96. With the \$5 we passed through in the sales tax credit there is now about \$100 a month comfort allowance for those people. That got around one of the major objectives.

Second, people in nursing homes and homes for the aged are being maintained at a very high cost to the state, generally, because of their poor health or infirmity. Our purpose was not to make them richer; we were already looking after them. It was simply to make sure they had enough money left over, after paying their share of any costs, to be able to buy a few of the luxuries their mental and physical condition permitted.

We were heavily criticized for passing that money through because it was not seen by many people in the system as being needed by the people in the homes for the aged. I have resolutions from county boards saying: "Why are you passing it through to the people in such-and-such a home for the aged? We really don't think there is any need for that kind of thing. You are putting an undue burden on us." And so on.

I don't take those too seriously, but I could go

back and find a few of them. It strikes me that some were from southwestern Ontario specifically. A number of the administrators thought we were being too generous.

On the administrative side, by the time we have washed November 30 past and have all but the last few hard cases straightened out, I think you will find we have in place a virtually automatic system. The next cheque, as you know, comes without any requirement for the filing of a request. That will come in April.

Mr. Peterson: That means the election will be, what, 37 days after that?

Hon. F. S. Miller: That was not thought of at the time. It is going to come every April and every October or November. So you can choose whichever month you wish.

Mr. Laughren: Also regarding grants, I would be happier if the Treasurer would give serious consideration to two things. One is extending the assistance to the handicapped in the province. I think the argument can be made that it is as appropriate for the handicapped as it is for senior citizens. I don't know the precise cost of that, but I suspect the Treasurer knows.

The other is the whole question of the Gains allowance. I think there needs to be a more automatic mechanism for ensuring that Gains is kept at a realistic level. We do not think it is at the appropriate level now. If you really want to help people who need it the most, that is where you do it.

I am surprised that either you or the member for London Centre (Mr. Peterson) should be talking about equity. I can remember Ken Carter's report on taxation. He attempted to convince the federal Liberal government that equity was important, and that it could be achieved without bankrupting the system, or without even standing the system on its ear.

The federal Liberals ran for cover as soon as their friends besieged them. They told them that would hurt too many of the people in the higher incomes, and I did not hear the provincial Liberals complaining about that. It is certainly a federal Liberal policy. I think we should put it in perspective.

It is hypocritical for a provincial Liberal to talk about equity when your friends in Ottawa had the opportunity to implement some equitable taxes in this country and decided that they wanted no part of that.

I would ask the Treasurer to respond in that area, the whole question of bringing the handicapped in under the grants, and secondly, dealing with the level of Gains assistance to people. I know the Treasurer is following my remarks aptly—

Hon. F. S. Miller: I am an apt boy.

Mr. Laughren: —or intently. Would you respond to that, please?

Hon. F. S. Miller: That is a technique I used as a school teacher.

Mr. Laughren: Seriously, the whole question of the handicapped—

Hon. F. S. Miller: Okay. You and I have discussed this before. I go back to a report that was brought out by Quebec around 1972. It was by Claude Castonguay. I did not read the report but I recall the sum total of it.

Quebec and Ottawa were in some kind of a fight at that time over whether money should be sent directly to senior citizens in Quebec for enriched benefits. Castonguay's report concluded that the greater need was in the area of people under 65, who had fallen behind those in the over-65 category when it came to government support programs.

I am sure a good deal of statistical data can be produced to support that kind of argument. Yet it is not easy simply to say that because the data are there one automatically should shift and change all the programs. I will say we have had a good deal of review of some of those arguments in the last while, because we want to ensure we are treating the disabled and those people who are truly dependent upon the state as equitably as possible.

This still is an area where, because of public perceived abuse, there has been a good deal of resistance in society towards the enrichment of certain benefits. I used the word "perceived" rather than "real" because when one looks at real abuse, it is always much lower than is perceived in the eyes of neighbours and taxpayers.

Mr. Laughren: Not the handicapped.

Hon. F. S. Miller: Not the handicapped so much as, perhaps, those on general support assistance of some kind or other, where there does not seem to be any real physical impediment to their getting back into the work force.

Mr. Laughren: Part of your responsibility is to destroy some of those myths.

Hon. F. S. Miller: I think our Minister of Community and Social Services (Mr. Norton) has really—

Mr. Laughren: He reinforces the myths.

I wonder if you could talk about the assistance to the handicapped and why you don't move in that area.

Hon. F. S. Miller: All I can say at this point is that we are taking a good hard look at some of the alleged anomalies. With the International Year of Disabled Persons coming along shortly—

Mr. Laughren: Tomorrow night would be a beautiful opportunity for you to say, "Mr. Speaker, in anticipation of the International Year of Disabled Persons, we have decided that it is time . . ."

Hon. F. S. Miller: Would you repeat it slowly so we get the script right?

Mr. Charlton: The point my colleague is making is very serious, as well, Mr. Treasurer. There have been a number of commitments by your government for the handicapped in the housing area, for example.

I am right in the middle of a huge to-do in Hamilton, and I say huge not because the problem is huge, but because the bureaucracy and the red tape you have to climb through to get anything done is huge. We were talking about modified units for seven handicapped people and just drove ourselves nuts trying to get that accomplished. We have accomplished one out of the seven so far, and the other six are not too far off the mark.

The point my colleague is making is on the way the commitment seems to be there, but the resolve to get that commitment into fact is a serious problem. You are saying to us, "We are looking at it," but we would like to see some serious action, if not in this mini-budget then in next spring's budget.

11:50 a.m.

Hon. F. S. Miller: Obviously I cannot go further than I have today in saying I am not disregarding it, or it is not an issue, or it is not one that is worth studying or one that we are not studying. We are doing all those things.

Mr. Laughren: It is true, is it not, that you may not have an opportunity to present another budget before you go to the people?

Hon. F. S. Miller: It is always possible that we will not have an opportunity to present another budget.

Mr. Laughren: We vote on the throne presentation before the budget is introduced in the spring.

Hon. F. S. Miller: Do you imply that you would gang up with the group of five over here and throw us out?

Mr. Charlton: If the throne speech is bad enough, your own party may vote against it.

Hon. F. S. Miller: Never ours, no. The new Lieutenant Governor will probably be persuaded to say things that agree with our basic philosophies.

Mr. Laughren: What about the guaranteed annual income system question? Are you going to take a serious look at that?

Hon. F. S. Miller: I have no comment on Gains right now. I have not personally been looking at Gains.

Mr. Laughren: You make it sound as though because public opinion is against it you do not want to touch it.

Hon. F. S. Miller: I do not know what other work is going on within the social policy secretariat. There may be some review of it going on at this moment. I am not aware of one.

Mr. Laughren: You could get at least 50 per cent from the federal government for the handicapped programs, could you not?

Hon. F. S. Miller: I will say this, my confidence in anything we are going to get from the federal government has been shaken a bit in the last week.

I would have assumed that when a federal budget was as current as the one we had about two weeks ago, one would be able to predict that at least until the next budget—whenever that may be, and I thought the spring was a time when he would be likely to bring another one in—one could assume that program financing and so on would continue. Yet the rumours may now be confirmed. I was told the community services contribution program had been cancelled. This coming within days of the announcement of a budget shocked me, because one would assume you could count on CSCP until the next budget.

If you recall the comments I made in the House, I said there were more questions asked than answered and more hints left of potential areas of action, but I really must admit I thought those were in a future budgetary document, not in the time frame between now and then.

If I am wrong and CSCP is only one of a number of steps, I am going to be very nervous about counting on federal cost sharing in any areas that are not statutory.

Mr. Laughren: Maybe we are going to get an energy statement every fall and a budget every spring.

Mr. Peterson: One question: what are your plans for tomorrow night? Are we going to have a lockup, or what have you arranged?

Hon. F. S. Miller: I believe the lockup is from six till eight and I will be dropping into the lockup in the last hour. Is that correct?

Mr. Dick: There is going to be a lockup. I had not heard the beginning time for it yet.

Mr. Peterson: Is there any possibility we could have a little more time than that?

Hon. F. S. Miller: I took your question the other day and went back. Two hours was

considered to be adequate for the size of the document we are bringing forward.

Mr. Peterson: By whom?

Hon. F. S. Miller: Those who looked over the problems; and I agreed with them, let us put it that way.

Mr. Peterson: Is there any reason we cannot go in at five or four? It is a nice peaceful place to be.

Hon. F. S. Miller: I cannot answer that right now. I will be glad to ask during lunch hour.

Mr. Peterson: I would be grateful if we could have a little more time. What about the timing of that? You will be about how long?

Hon. F. S. Miller: I have not read it against the time clock, but I am guessing I would be between 45 minutes and an hour.

Mr. Dick: Forty-five minutes.

Hon. F. S. Miller: My deputy says 45 minutes. I have read it three times but always without timing it.

Mr. Peterson: Does that mean that Mr. Laughren and I split the remaining time?

Are you responding, Floyd? Does that mean you and I split the remaining time? Is that the way it has been worked out with the House leaders?

Hon. F. S. Miller: As far as I know, you have the whole evening.

Mr. Peterson: So we each have about three quarters of an hour.

Mr. Laughren: Mr. Chairman, would this be an appropriate time now, with more members here, to raise the question of the appearances before this committee of the people about the employment development fund grants to the pulp and paper industry? We tried raising it earlier and there were not enough members here.

Mr. Chairman: I am glad I got here in time for a question. It has been proposed by Mr. Laughren—and I must apologize to the members; I was at a Workmen's Compensation Board appeal hearing and I wish this were the Ministry of Labour's estimates because I would like to make some inquiries.

Mr. Laughren: I will say it again. The question was raised about taking next Wednesday, presumably next Wednesday, and using it to call before us some of the people involved with the EDF grants. The minister indicated he had no objections to that and there was a question as to whether or not the committee was prepared to move in that direction.

I put a motion a week ago which was withdrawn

at the request of the rest of the committee to hold it off until today when the Liberal critic has had time to check with his people and with the chairman of the public accounts committee. It was then, and still is, my feeling that we should do that.

The Treasurer is chairman of the Employment Development Board, so these are certainly the appropriate estimates in which to discuss that matter. If the committee wishes it to be put in the form of a motion again, I would be prepared to do that. I think we already have it written down.

Mr. Peterson: I have had a number of discussions on that with the public accounts committee and they are planning on looking into it in January and February. Have you had any more discussions with Mr. Germa?

Mr. Laughren: Yes.

Mr. Peterson: What is the result of that?

Mr. Laughren: He indicated it was on the agenda of the public accounts committee but he had no idea when it would happen. It was not one of the priority items of public accounts, but sooner or later they would get to it.

Mr. Peterson: I am told there are going to be special sittings in January and February to look into this. Does that not satisfy you?

Mr. Laughren: No.

Mr. Ashe: It is part of the winter works program.

Mr. Peterson: The only thing I have a tough time with is if we invite these chaps here, for example anybody from the pulp and paper industry, then you have to turn around and invite them back to another committee; it is not all that productive.

Mr. Laughren: It is only one or two people.

Mr. Peterson: Whom do you have in mind inviting? You want Duncan Allan?

Mr. Laughren: I want Duncan Allan, at least one of the authors of the Lakehead report, and I wanted the president of Spruce Falls Pulp and Paper Company. There are three right there.

Mr. Peterson: Why Spruce Falls?

Mr. Laughren: Because he had made some public statements about the necessity of the grants and it would be interesting to let him explain those remarks. He has been widely quoted.

Mr. Chairman: I am looking for direction from the committee. I do not know if the Treasurer has any remarks.

Mr. Laughren: Perhaps we could have the

motion read then unless there is further debate on it.

12 noon

Clerk of the Committee: Mr. Laughren moves that the committee set aside five hours or one day to investigate the EDF grants to the pulp and paper industry and that witnesses, papers and so on can be summoned at that time.

Mr. Ashe: Mr. Chairman, I would like to hear a response from the Treasurer. He was out, of course, a few moments ago when Mr. Peterson was talking about the public accounts committee, which had already made arrangements to make that part of their winter works make-work program over January and February.

If that is the case—and I do not know that from my own sources—I do not think it is very productive to be doing the same thing twice, whether we are talking about the senior people in the pulp and paper industry, or the senior people within the ministries. I would like to hear the response of the Treasurer though.

Mr. Peterson: I do not want to stand in the way because I think it is a worthwhile inquiry, but to be perfectly honest I just cannot see whether in five hours here—and that is the end of our time—we can do any particularly worth while. I am torn, because I am very sympathetic to doing it, but I would like to do it right. Therein is my problem.

It is probably, at this point, a waste of time compared to doing a thorough analysis. I would hope you are a person who would join the public accounts committee for those discussions.

Hon. F. S. Miller: I am going to be guided by the committee. I wonder if that is the best use of the time in Treasury estimates, that is all. I have no fear of a discussion of this type. In fact, I would argue probably we will come out looking like—

Mr. Ashe: Like a rose.

Hon. F. S. Miller: —like a rose on it. Yes.

I do not know whether you have chosen—one should not limit the people to those whom you choose. I think if one is going to decide several people should be brought before this committee, there should be some input from two or three sides as to who they should be.

But as for seeing us discuss that matter, I am proud of the program and I think it will stand the scrutiny of the examination. I tend to suspect that five hours will not do it. That is why I would have been happier to have seen public accounts as the vehicle rather than this committee.

Mr. Chairman: Any further discussion on the motion?

Mr. Peterson: What about a compromise, without going into great detail, to satisfy you somewhat? Bring Duncan Allan here, who is responsible for the EDF grants, and ask the Treasurer, who is chairman of that group, to stand by for next Wednesday for a discussion of it.

I, like you, want to discuss that question. We may be able to shed some light on some of these questions. Then we can plan the—

Mr. Laughren: The only problem with that reasoning is that the Treasurer and Duncan Allan are as one and you are not going to get any kind of—

Hon. F. S. Miller: Two. I think Duncan would be somewhat hurt by that insinuation.

Mr. Laughren: That is why I said it.

Hon. F. S. Miller: I would think Duncan has never been one with anyone in this world if he differed in opinion.

Mr. Peterson: Therein is the whole problem.

Mr. Laughren: We should include at least one of the authors of the report—that is what is causing the debate, the Lakehead report. If the Lakehead report had never come out, then we would not even be discussing this motion here today.

So it does not make sense to have Duncan Allan here, who is going to defend to the last the actions of the government, naturally, because he was responsible for recommending that the grants be awarded. Of course he is going to defend it. What I am saying is you have to have someone else who has a slightly different perspective if we are going to get a good look at it. That is all.

Hon. F. S. Miller: I do not think you have concluded correctly. Duncan Allan did not recommend that this program go forward. I was the person who requested, pure and simple, that this program be created. Duncan Allan was requested, after that decision was made, to help design a program that would be reasonably equitable in its treatment of the various companies.

Mr. Laughren: We're talking about what the pulp and paper industry gets.

Hon. F. S. Miller: Yes, sure.

Mr. Laughren: He recommended that they be awarded.

Hon. F. S. Miller: He is on the group looking at each individual application.

Mr. Laughren: That is what I am saying.

Mr. Ashe: I think Mr. Peterson offered a compromise, if you will, that probably quite

rightly fits into the ministry's estimates in the scheme of things. It is obvious that is not too acceptable to Mr. Laughren, and I can appreciate the reasons for it. I think it is all the more reason why, if we cannot get different sides of the story—and I agree with the Treasurer, there would not be sufficient time to do the subject justice—I do not think it would help the situation at all.

I also agree it would be best left to a committee—it would appear the public accounts committee—to look at the issue from the various perspectives with more time available. That is obviously the make-work program in January and February.

Mr. Hennessy: I am on the Hydro committee and that, to me, is a waste of time; it goes on and on and on. Therefore, if you start with this one, you hear one side of it. I know damned well after you hear that side, you are going to get the other side saying, "Listen, you did not hear the other side of the story." It would be a hell of a trial if you had only one side of the story. Then you get public outcry and it becomes a political thing.

I think the suggestion made by the members prior to my speaking is right. If you are going to do it, do it right. You have to hear all sides of an argument. If you just hear the government's side, I know damned well it is going to be a great election issue that "the government called only its own witnesses and our witnesses were not allowed to appear." What does the guy know up in Thunder Bay when some guy says that in the Times-News or Chronicle Journal? He does not know what in the hell is going on.

So as far as I am concerned, I have to agree with the other two speakers.

Mr. Chairman: No further discussion, we have the motion on the floor.

Mr. Samis: I just want to speak briefly in support of my colleague's motion. I think the

benefit of it is that we do not know when the public accounts committee will have these witnesses. We are guaranteed with Floyd's motion the opportunity to have people from the industry, from Lakehead—the pros and cons of it—before Christmas, and I think it would be of special value to this committee to have those people.

The alternative is to have no one. In other words, it is the party line from the Treasurer and that is it.

Mr. Chairman: Any further comments?

All in favour of the motion? Three.

All against?

Motion negatived.

Mr. Laughren: What happened to McGuigan?

Mr. McGuigan: I agreed with my colleague.

Mr. Chairman: Moving right along then, I was not sure at what stage the committee was.

Mr. Laughren: All the committee will hear will be my views on the issue then and the Treasurer's.

Mr. Chairman: I meant as of now. Are we continuing?

I understood the committee was going to 12:20 p.m.

Mr. Ashe: Are the opening statements finished yet?

Mr. Chairman: That was a long time ago. That is right. It is my understanding that instead of going vote by vote we are having a general discussion on the estimates and passing them all at once at the end. That is what I understood.

Mr. Laughren: Why don't we adjourn until two?

Mr. Chairman: What is our time frame? Are we going to 12:20 p.m.? We will adjourn until two.

The committee recessed at 12:06 p.m.

SPEAKERS IN THIS ISSUE

Ashe, G. (Durham West PC)

Charlton, B., (Hamilton Mountain NDP)

Cureatz, S.; Chairman (Durham East PC)

Hennessy, M.; Acting Chairman (Fort William PC)

Laughren, F. (Nickel Belt NDP)

Leluk, N. G.; Acting Chairman (York West PC)

McGuigan, J. (Kent-Elgin L)

Miller, Hon. F. S.; Treasurer, Minister of Economics (Muskoka PC)

Peterson, D. (London Centre L)

Samis, G. (Cornwall NDP)

From the Ministry of Treasury and Economics:

Dick, A. R., Deputy Minister

Honey, C. P., Assistant Deputy Minister

McIntyre, G., Assistant Deputy Minister, Office of the Treasury



No. G-6

Legislature of Ontario Debates

Official Report (Hansard)

Standing Committee on General Government
Estimates, Ministry of Treasury and Economics

Fourth Session, 31st Parliament
Wednesday, November 12, 1980
Afternoon Sitting

Speaker: Honourable John E. Stokes
Clerk: Roderick Lewis, QC

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LEGISLATURE OF ONTARIO

STANDING COMMITTEE ON GENERAL GOVERNMENT

WEDNESDAY, NOVEMBER 12, 1980

The committee resumed at 2:14 p.m. in room 228.

ESTIMATES, MINISTRY OF TREASURY AND ECONOMICS (continued)

Mr. Chairman: We will see a quorum. Mr. McGuigan informs me he has a couple of inquiries of the minister. Would it cramp your style if he proceeded, Mr. Laughren?

Mr. Laughren: No.

Mr. McGuigan: I am just going to take a few minutes and then I am going to leave. It is in connection with the sales tax matter, Mr. Minister. I have been sending you and Lorne Maeck a number of letters on this, so you may recall the matter.

The background is that 10 or 12 years ago Pacific Gas and Electric Company, in California, took on a project of powering their fleet of vehicles with natural gas. They compressed the gas up to about 2,300 pounds per square inch in the same type of cylinders used for acetylene. Having been in the automobile business, I am sure you are familiar with those containers.

That company in California got into it, I suppose, because it sells natural gas, but their expressed concern was cutting down on pollution. They found that by powering vehicles with natural gas there was almost a total elimination of pollution. Lead is eliminated, as are other elements such as nitrous oxide and acids, from the emissions of vehicles.

However, the use of natural gas is limited by the fact that the contents of one cylinder produces a relatively low mileage factor. I think two bottles, which would weigh fairly heavily, would give you a range of about 100 miles. Therefore, if a vehicle powered by natural gas gets 100 miles away from its source of gas, it has no way to return, except by switching to gasoline; so they developed a dual-fuel system of natural gas and gasoline. This adapts pretty well to vehicles that are driven mostly in the city and do not get too far away from the source, except on occasion, and it is in the cities that the emission of pollutants is a big problem.

In your last budget you went a good way towards encouraging the use of alternative fuels. As I understand it, you took the fuel tax off vehicles that ran on other than diesel fuel or gasoline—those driven by propane, butane, electricity, hydrogen and so on. You also took what we used to call the road tax off propane fuel. That was quite a powerful incentive to people to convert, but it did not assist those people who might be considering the dual-fuel route.

We have exchanged a number of letters on this. Your concern seems to be that it might be abused.

I should explain that what I was asking for was that the sales tax come off not the vehicle, but off the conversion kit which, when I first became interested, was about \$300. Today, I guess, a conversion kit costs about \$2,000. Then, of course, you need a home base compressor system to fuel up these vehicles. It only really works where you have a fleet of vehicles, such as delivery vehicles, taxis and so on.

2:20 p.m.

As I mentioned, you were concerned that there might be abuse, but I cannot see how there could be. The only advantage in moving to this system would be in using the system. There would actually be no value in converting a vehicle for dual fuel and then running it on gasoline because you have to pay tax on gasoline.

In what way could it be abused? I would like to have your thoughts on that.

Hon. F. S. Miller: The sales tax exemption could be abused. You are only talking about the conversion kit now?

Mr. McGuigan: Yes.

Hon. F. S. Miller: That would be more difficult.

When I brought in the measure in the budget it was in an experimental way and as an inducement. I recall the major criticism of it was that I was giving nothing away. Some people felt it was an exemption from a tax that no one could take advantage of. Therefore, it was thought to be just a gesture without any substance.

The fact is that during the year it created a lot of interest. I know a number of companies are in the process of producing these kits you are talking about, or of converting existing vehicles from the assembly line to natural gas use. I would think that, right now, the 22-cent saving on the use of propane or compressed gas resulting from the lack of motor vehicle fuel tax would be a very large inducement for those marginal cases where gasoline also could be used in the vehicle.

You review sales tax exemptions every year to see whether they are achieving the objectives you set; whether they were too generous or too stringent; whether you are causing your inspectors too many problems in the field in deciding who is exempt and who is not. That is the kind of thing we would continue to do with this approach.

I hazard the thought that if everyone in Ontario suddenly converted to propane gas for their cars and I lost about \$600 million or \$700 million of revenue we would start having second thoughts about the program. We just could not afford that kind of revenue loss. But we were anxious to set a trend and to encourage use, so we chose the tax exemptions. It is possible we were too generous by taking the sales tax off the vehicle as well as off the fuel itself.

Mr. McGuigan: I cannot argue with what you did. I think it is great. I would go this step further. Once it has been proved there are genuine savings and it comes into general use, I cannot see how I would oppose reimposing sales tax once you have achieved the objective. You have to raise money some place and that is a good—

Hon. F. S. Miller: I do not want to imply that we would. It is just that I know no change in sales tax is forever.

Mr. McGuigan: If it was appropriate for propane, hydrogen and the elements you have covered, I cannot see why it is not appropriate for natural gas in the dual-fuel mode.

Hon. F. S. Miller: Let us look at it. We did it last year, not knowing what response we would elicit. The response appears to be greater than we anticipated; therefore it is successful. That it happens at a time when our official policy is off oil, both in Canada and in Ontario, is encouraging.

If it takes further refinements to achieve a faster rate of conversion we will be glad to consider them. The time to do that would normally be in a regular budget, not the mini-budget I am bringing in tomorrow. I can only assure you I will look at it at that time to see whether it should be changed.

What is the cost of conversion? Is it about \$1,500 a unit? Is that in the ball park, or is it less than that?

Mr. McGuigan: The figure I have from quite a number of years ago is about \$300. Now, it is possibly \$2,000.

I appreciate what you have said. But would you not agree the argument that it is going to be abused really does not hold? Unless people abuse for no reason, there is no reason to abuse it.

Hon. F. S. Miller: I have learned one thing about tax relief measures. The human brain itself is a very adaptable piece of machinery. At times we find—

Mr. McGuigan: Ontario people are honest.

Hon. F. S. Miller: If that were so, we would not need anyone to check on income tax. The fact is we have problems in the tax field with many otherwise honest citizens. I guess I would like you to know more about the perceived problems. I will be glad to review them before the next budget comes around.

Mr. McGuigan: Compared to other countries, we have a system of self-assessment in our taxes. The individual assesses himself on his taxes and reports. Of course, you have to have inspectors to keep us honest.

Hon. F. S. Miller: When you say, “we assess ourselves,” do you mean for income tax?

Mr. McGuigan: Yes.

Hon. F. S. Miller: But it is documented pretty heavily by pieces of paper that can be traced.

Mr. McGuigan: It is still self-assessment.

Hon. F. S. Miller: You do the arithmetic yourself. I am not sure the assessment is self-assessment. If you are a privately employed person and in the farming business, as you are, I guess, I am surprised you even have an income tax form to fill out.

Mr. McGuigan: I very seldom do.

Hon. F. S. Miller: Which makes me worry about the system.

Mr. McGuigan: It is an academic point. No one comes to you, looks at your books and says, “Frank Miller, you owe me X number of dollars.” You look at your books yourself and then you send off your cheque.

Hon. F. S. Miller: Yes, but they do come back and look at my books and say, “We don’t agree with what you have said.”

Mr. McGuigan: Occasionally.

Hon. F. S. Miller: When they do, they come in force and stay for some time.

Mr. McGuigan: It would be way less than one per cent of cases that are ever investigated.

Hon. F. S. Miller: Once they discover you are honest you are never bothered again. So I only had one inventory done.

Mr. McGuigan: I hope you will look at that. The reason I feel so strongly about it is that it seems to me the area of fuel offers us the greatest opportunities.

Hon. F. S. Miller: Not only that; the latest budget in effect froze the price of natural gas at the well head for about two years. What it did was add 30 cents for 1,000 cubic feet at once and 15 cents in each of the next two years for extra tax. During that period of time, though, the crude oil prices are going up considerably more—by roughly \$9, I believe.

Mr. McGuigan: We have something like a 300-year supply of natural gas.

Hon. F. S. Miller: I have no argument with that. There are those in Ontario who believe we should be making our objective conversion to electricity, rather than natural gas. I think that is fine in a lot of areas. I am not sure electrical motive power has as yet proved to be quite as feasible for the motor vehicle as natural gas is.

Mr. McGuigan: One final point: if the technology were used a bit and people became familiar with it, and if we went the further step of liquefying the natural gas, a tank full would run a car about 700 or 800 miles. There is a lot of technology involved in doing that.

2:30 p.m.

If and when that happens, a further little benefit—and I have had some personal experience with stationary engines, running them on natural gas—is that they just don't wear out. They run forever. There is no ash in natural gas fuel; there are the lead and contaminants that form ash in diesel and gasoline fuels. Those engines just run and run. They are a little harder on the valves perhaps than the others, but the main block will last for years and years.

Hon. F. S. Miller: I think we will see quite a trend this year. I saw some figures on the number of potential conversions this year for gas-powered vehicles and—somebody might help me; it was around 1,500? Does any of my staff know?

Mr. McGuigan: I think the greatest potential when talking about compressed gas is more in the heavier vehicles, where the extra weight of the gas—

Hon. F. S. Miller: The cylinders do not matter as much.

Mr. McGuigan: —does not matter much. You really would not want to carry that much extra weight in the trunk of your car. But on delivery vehicles, or trucks, tractors and so on, there is a big potential. And, of course, they are heavy users of fuel too.

That is all I want on that subject.

Mr. Chairman: No further questions? Mr. Laughren?

Mr. Laughren: I was waiting for the next vote, the Treasury vote. Are we going by votes?

Mr. Chairman: That is not my understanding.

Mr. Laughren: Okay, fine.

I want to ask the Treasurer about some of the figures he used in his budget; to what extent he has changed his mind; and, further, on what assumptions those figures were based. I will be very specific.

When the spring budget came down, the Treasurer forecast things like employment and job creation and unemployment rates and personal income and housing starts, and so forth, in very specific numbers. I wanted to know, first of all, at what oil price those figures were based; second, at what interest rate; and third, whether or not those figures have been revised in the light of the recent federal budget.

Hon. F. S. Miller: I probably would need some assistance from people who are on the staff on the assumptions put into the figures. Bernie Jones and Bryne Purchase, if they would like to approach the altar.

Mr. Chairman: Please come forward and make yourselves available.

Mr. Laughren: Aren't you glad I am here to ask these kinds of questions?

Hon. F. S. Miller: He thanks you from the bottom of his heart.

Mr. Purchase: Do you wish me to respond to the question of oil prices? As I recall the budget forecast, it was based on the existing price schedule as we understood it then, which was a dollar/dollar.

Mr. Laughren: It was what?

Mr. Purchase: A dollar every six months. As I recall, as it turned out it didn't matter for this year, but it would not have anticipated the \$4.50 per year that was in the federal budget.

Interest rates do not enter in as an assumption as a rule. In other words, interest rates come out of the macroeconomic forecasting process rather than being a part of your assumption. We do not assume an interest rate and then see what happens to the economy on the basis of that assumption.

Mr. Laughren: What about housing starts? Surely that would have a major bearing on housing starts.

Mr. Purchase: Yes, it does. But usually the way the models work is the interest rate thing will come out of your assumptions about money supply, growth, and so forth, and then in turn you get personal income growth, which would only impact on housing starts, instead of coming the other way around—in other words, making an assumption about interest rates and then seeing what will happen to housing starts.

Mr. Laughren: It seems to me that maybe with interest rates climbing up again—and if I read the analysts correctly, they are predicting they are going to go higher still in the new year—I wonder to what extent you are taking that into consideration now.

I looked at your figures in the budget and compared them with the latest figures—I think the Conference Board in Canada put out some figures yesterday but I did not have those when I was working on this comparison—I looked at the ministry's figures and compared them with those of the Conference Board at that time. The Conference Board, I think, has some credibility and some objectivity in its forecasting.

In employment, you predicted 59,000 new jobs, the Conference Board predicted 37,000. What are we going to end up with?

Hon. F. S. Miller: May I interject for a second? Today's latest figures are out and they have been see-sawing greatly month by month. The latest figures, if you have not seen them, are 41,000 year over year increase. Last month we were in the 80,000 range somewhere. The month before that we were in the 30,000 range somewhere. So we have been getting great monthly variations in the year over year figures lately. But it is 41,000 year over year right now.

Mr. Laughren: That was 41,000?

Hon. F. S. Miller: Yes.

Mr. Purchase: The number I have in the first nine months is 61,000.

To answer your question, probably we would come very close to our forecasting. If not, we will probably be ahead of that. The Conference Board has changed its forecast upwards; I think they now have 52,000 jobs.

Mr. Laughren: What about the unemployment rate? You had forecast 7.2 per cent and the Conference Board had forecast 7.4 per cent for Ontario. Has that changed?

While he is looking that up I will ask the Treasurer: what is bothering me about this whole thing, and I am not trying to be devious, is

that I am in difficulty knowing how you go into negotiations with the federal government, how you make representations to the federal government and the Minister of Finance and so forth, if you do not have at the front of your head, at your fingertips, what impact the various changes, such as interest rates or oil pricing, are going to have on the Ontario economy.

Hon. F. S. Miller: We go back to some of the papers we have produced. We were put under very severe critical fire at the time we made some rough approximations of the effect of a dollar increase in the price of oil or an interest rate increase of one per cent, both in terms of their impact upon employment and in very gross terms. At that time somebody said, "Prove you are right." I do not think it was you, particularly, but that kind of question is logical.

I do not think we could prove we were right. We had taken some historical observations on what had happened as prices went up and extrapolated them a bit, I guess. I am not sure that is accurate, but we have some records as to what had happened when other price changes went through. You do your best in this game and it is a very inexact science yet.

Mr. Laughren: I understand that and I understand as well that the game does not begin and end with forecasts. Surely the forecasts are simply tools so that you can implement certain policies. I would think that is their purpose.

Hon. F. S. Miller: You were asking about unemployment rates; for example, the prediction of 7.2 per cent.

The current seasonally adjusted rate, which is the higher of the two this month, is 6.7 per cent for Ontario and the actual is 5.8 per cent. The actual is an improvement over the previous month, whereas the seasonally adjusted rate remains unchanged. Both of them are considerably below the figures that were predicted previously. It does not mean we are not going to reach them as the winter wears on or as things change.

Let us say jobs created exceed growth in labour force for a change. Last month that was not true, so we had a slight drop in the actual rate this month since the new entrants into the labour force were not as great as the new jobs created so far this year, or year over year.

2:40 p.m.

Mr. Laughren: I will try to get more specific. Let us look at housing starts, for example, which are a worry. They are a worry for a number of reasons, it seems to me. One is the whole question of the supply of housing and the second is the tremendous importance of hous-

ing starts on the economy, the tremendous ripple effect that housing starts have. I see the decrease in housing starts over the last three years as being pretty scary in terms of employment in the industry and in terms of the supply of housing.

I am wondering whether or not you agree that is serious and whether you are prepared to talk about some of the things you think should be done to stimulate it.

Hon. F. S. Miller: I have been looking to see whether I had background data on the number of starts here.

Mr. Laughren: I have some for you.

Hon. F. S. Miller: Some of my staff may have some. I do not spot them in my notes.

Mr. Laughren: I think in 1979 there were about 57,000 housing starts; in 1980 there were about 42,000—I am rounding off—and in 1981 it is estimated there will be up to 55,000.

Mr. Purchase: Housing starts, Mr. Treasurer, are in the appendix table two in the note on the economy.

In 1979, housing starts in Ontario were about 48,000. Year to date for 1980, 32,500. That is year over year.

Mr. Laughren: That is fiscal year.

Mr. Purchase: That is year to date. The time of this note would be September.

Mr. Laughren: So it is six months; fiscal year?

Mr. Purchase: No, not fiscal year, calendar year.

Mr. Laughren: What are your anticipated housing starts this year then?

Mr. Purchase: The budget forecast was for roughly 50,000.

Mr. Laughren: Are we going to make that?

Mr. Purchase: I am not sure.

Hon. F. S. Miller: Again, if I can go back, there are some encouraging signs and, like you, I cannot always recall where I have seen a piece of information that has popped in front of my eyes, but it seems to me in the last week I saw some housing starts information saying the month of October had been encouraging in terms of housing starts relative to other months during the year, that it was better than we had been predicting. Somebody here may have up-to-date information on that.

Mr. Laughren: I am worried that as housing starts drop and the housing supply gets tighter and tighter—it is extremely tight in Metro now, for example—the pressure gets on the government, on the whole question of rent review, for, in my view, all the wrong reasons. I am concerned

that the heat will be applied and right away we will be throwing the tenants in Metro to the wolves again, keeping in mind that we brought in rent review specifically because there was not an adequate supply.

Hon. F. S. Miller: You know the arguments of the day.

Mr. Laughren: I know the arguments.

Hon. F. S. Miller: I think this is where our differences are.

Mr. Laughren: Why was there the necessity for rent review to start then? You do not know that.

Hon. F. S. Miller: Where did it ever work, really? Where did a form of rent control ever really work?

Mr. Laughren: It depends whether you are more interested in protecting the tenants of the province or protecting the builders.

Hon. F. S. Miller: If builders cannot even break even on rentals, obviously they will not build.

Mr. Laughren: But why did you bring in rent review to start with?

Hon. F. S. Miller: Because we are a minority government.

Mr. Laughren: No, you obviously agreed with it in principle or you would not have done it, and you continue it because you agree with it in principle, surely. Are you telling me that if you had a majority government you would do away with rent review?

Hon. F. S. Miller: I am making no comments at all.

Mr. Laughren: That is a luxury you should not enjoy.

Hon. F. S. Miller: Right.

Mr. Laughren: That is really incredible. You disagree that we had rent review because of the problems tenants were having?

Hon. F. S. Miller: You are now in a field that is not Treasury's field.

Mr. Laughren: Yes, it is.

Hon. F. S. Miller: I have very strong feelings about it. However, they are not always the same as my government's; therefore, I will be quiet.

Mr. Hodgson: You do not want to admit that one of the reasons for the shortage of rental accommodation in Metropolitan Toronto is rent review.

Mr. Laughren: If that is true, Bill—

Mr. Hodgson: Will you admit that? I say that is true.

Mr. Laughren: If that is true, all they are

doing is holding you up to ransom to get you to remove rent review. They can get all their costs back through rent review, you know that.

Mr. Hodgson: You are not going to invest in something where you are going to lose.

Mr. Laughren: Why don't you answer the question? Why was there a problem in the first place? Why wasn't there an adequate supply of housing when you brought in rent review?

Mr. Hodgson: I don't know. Maybe they—

Mr. Laughren: No, I guess you don't.

Mr. Hodgson: But I do know one of the reasons rental accommodation in Metropolitan Toronto is scarce is because people who were building are not building any more because they are losing money.

Mr. Charlton: There has been no significant building since 1972.

Mr. Laughren: You won't deal with the question of why there was a problem in the first place.

Mr. Hodgson: You prove to me that is not the case. I made a statement and you have said nothing about it.

Mr. Charlton: The building stopped before rent review. It stopped in 1972, except for projects that were already committed.

Mr. Hodgson: You show me examples of where what I said is not the case.

Mr. Chairman: Moving right along—

Hon. F. S. Miller: There are two kinds of housing, basically; rental housing and privately-owned housing. If one looks at the supply and demand situation for privately-owned housing, I would think the supply is very good. If one looks at the supply of rental accommodation, it is not. That much we can accept.

As to whether it was caused by rent review or not, we could debate all day and it wouldn't change your point of view or Mr. Hodgson's point of view.

Mr. Laughren: I would be interested to hear yours. These are your estimates, you know.

Hon. F. S. Miller: Yes, I know they are my estimates. My personal opinions do not matter in a question of government policy.

Mr. Laughren: I am looking to you as Treasurer.

Hon. F. S. Miller: I have the opportunity in cabinet to tell them what I think about things.

Mr. Laughren: We are in estimates here. I am not asking—

Mr. Charlton: Your personal opinions should affect your policies.

Hon. F. S. Miller: They do affect my policy, but I have the luxury of sharing them in cabinet.

Mr. Laughren: You are here as the Treasurer of the province and these are your estimates. Surely we have the right to demand your opinion.

Hon. F. S. Miller: I don't think you do when it comes to a matter which has to be discussed in my cabinet and when I have to abide by the rules of the cabinet.

Mr. Laughren: I hear you saying that your answer to the low number of housing starts is the removal of rent review.

Hon. F. S. Miller: You jump to that conclusion.

Mr. Laughren: That is what I hear you saying. Do you not agree with that?

Hon. F. S. Miller: No further comment.

Mr. Laughren: What kind of Treasurer is it who will not even deal with a question?

Hon. F. S. Miller: One who is not going to be impaled upon your comments tomorrow.

Mr. Laughren: Perhaps you could tell me, then, because the housing starts are a problem—I think you would agree with that; you said there is an inadequate supply of rental housing, particularly in Metro, and I suspect in other communities—what you see as a viable way of stimulating that sector.

Hon. F. S. Miller: First one has to determine whether the entire sector needs stimulation or just the rental side. There I would feel much more comfortable with the Minister of Housing (Mr. Bennett) answering your specific question. He has been very concerned about the overall supply and availability of rental housing, and I believe he has been spending a good deal of time lately trying to improve it.

The industry itself is not always in favour of government "partnership" or assistance. A couple of years ago when I had my normal pre-budget interviews with the various people who come in at that time, it strikes me we had meetings with two groups representing the building industry. One was all in favour of some kind of government intervention, be it a variation of first-time home owners' grants or rental subsidies or whatever they may be. The other group said: "The demographics are such that nothing really can fundamentally change the total demand for housing. The building trade has to be prepared to face a demand for a lower total number of units simply because family formations are down."

The question is one of balancing them, geographically, as to type. There are those who

argue that the imbalance in rental versus ownership is because the cost of ownership is so much higher now, relatively speaking, than the cost of rental. It is because we have protected one sector and left the other sector unprotected.

With escalating interest rates, people who are potential buyers of homes and are ready to move out of their first or second rented house or apartment, are simply saying, "What's in it for us to move from \$350 a month gross cost of accommodation to something where the mortgage payments themselves are \$550 to \$600 a month, apart from taxes, maintenance and so on?"

2:50 p.m.

In effect the policies and programs have tended to skew demand more in one direction than the other. That is where one has to take a good look at the policies, to see if you cannot balance out so that there is no particular advantage, for one over the other, to the person making the choice.

Mr. Laughren: That is an interesting analysis—I can't believe it—but what does it lead you to? What conclusion does that lead you to in terms of balancing those scales?

Hon. F. S. Miller: Let me be the teacher for a second. What does it lead you to?

Mr. Laughren: I didn't know these were my estimates. It leads me to—

Mr. Hodgson: You usually have all the answers. Give him the solution.

Mr. Laughren: I have never given the impression I have all the answers, but I know where the Treasurer is heading. The Treasurer sees the answer as being the removal of rent review in order to skewer—he used the word "skew" or "skewer"; I am not too sure which is the right word—to skewer tenants as well as home owners.

Mr. Hodgson: The shortage is in rental accommodation. There is a supply of other housing.

Mr. Laughren: One of the things the Treasurer should be doing is stimulating the housing market. If the private sector will not do it, the public sector has an obligation to do it. I feel the same way about housing as I do about mining machinery, electronics, food processing or about electrical products. I do not see any contradiction there at all.

I see the Treasurer sitting back, hoping that something is going to change. There is a considerable time lag with housing starts. I am worried about what happens in a place like Metro with its shortage of rental accommodation. The pressures are going to build and build on this government, or whoever the government is,

over rent review. Unless the government is prepared to involve itself in the housing market, that pressure is going to continue to build.

Hon. F. S. Miller: I think it is true that if one went to London or Hamilton—I may be wrong about Hamilton—one would find a pretty good availability of rental accommodation right now.

Mr. Laughren: I am talking about Metro. People are not going to move to those cities. You have no regional development policy to encourage them to do so.

Mr. Charlton: In Hamilton, certain areas had fairly high vacancy rates. In certain sections of the city now there are none. Some areas of the city still have a problem. But the vacancy rate has declined to such an extent that within a matter of months it will be a problem right across the whole city.

Mr. Laughren: I am getting no satisfaction from the Treasurer at all. Would I be wrong to say you do not see the government having a role in the stimulation of the housing sector?

Hon. F. S. Miller: We have a role in seeing there is adequate housing available, yes.

Mr. Laughren: How do you do that?

Hon. F. S. Miller: Through the Minister of Housing, in his wisdom.

Mr. Laughren: What is the role of the Treasurer in that regard?

Hon. F. S. Miller: Generally the only role I would have is if there was a requirement for government subsidy; in other words, a budget requirement by the Minister of Housing.

Mr. Laughren: A subsidy of whom?

Hon. F. S. Miller: You have rent-assisted housing. You have a number of forms of Ontario housing where there is a cost to the Minister of Housing. Where those items occur in his budget and require money from this government, then it becomes a Treasury matter.

Mr. Laughren: I guess it is too late now, but I hope that in the statement tomorrow night you will give some special consideration to the housing sector.

I believe we still have the sales tax on building materials in the province. That is an area that would provide a stimulus to house building. It would not be subsidizing the builders, which the member for York North worries about, or it would not be—

Mr. Hodgson: What do you mean, I am worried about? I am worried about rental housing in the city of Toronto.

Mr. Laughren: You look worried.

Mr. Hodgson: I told you one of the reasons is

rent review. It is not worth while investing money. Do you think today someone is going to invest their money, that they can get 13 or 14 per cent for, in something on which they are only going to get returns of four or five per cent? If they do, they are nuts.

Mr. Laughren: Your figures are erroneous to start with because the builders can get an adequate return on their money when they rent. In rent review they can pass all costs through. I know a developer who bought a building, condensed the payments from 30 years to 10 years and charged all those high front-end financing costs to the tenants, and it was approved.

Mr. Charlton: New buildings are not covered.

Mr. Laughren: This was an existing building.

Mr. Charlton: The problem is with builders building new buildings. New buildings are not covered by the act at all.

Mr. Ashe: You have got your head in the sand as usual with the New Democratic Party philosophy.

Interjections.

Mr. Chairman: Gentlemen, let's not get into rabble rousing. I believe Mr. Laughren has finished this area of discussion.

Mr. Laughren: No, I have just started.

Hon. F. S. Miller: The member, as my teacher would say, is being provocative.

Mr. Charlton: He is not being provocative, Mr. Chairman. He doesn't know how to be.

Mr. Laughren: The member for York North talked about interest rates. We now are in a position where interest rates are higher than they were a year ago, I believe, and they are still going up. I suspect they will go up again tomorrow.

I am wondering if the Treasurer has pursued any thoughts of actions he can take when the rates start flirting with the kind of figures we had last spring, when he took some action regarding farmers.

Hon. F. S. Miller: I hope they are not going to go that high. Most experts believe there will be a slight increase over the next while. Certainly in the last month and a half to two months it has been almost a steady crawl week by week, some weeks faster than others. I think last week it was 0.69 per cent in the Bank of Canada rate. It has been very close to 0.5 per cent for two or three weeks in a row, which is a rate of acceleration I worry about.

Also, some experts, and I think they should not be underestimated, believe we may be in for a slight decline before long for a short period of

time—not a large one, but a slight one. If one went back to a year ago at this point—

Mr. Laughren: Two per cent lower.

Hon. F. S. Miller: I would have to go back and look. I saw some figures that showed me they were very close to being the same but I cannot recite them.

At that time Mr. Bouey was being called before the select committee to explain Bank of Canada policies, Ontario was arguing that we could have some independence of US rates. We were being laughed at, at that time, when we said a target figure for the value of the Canadian dollar could be used as an objective for maintaining Canadian interest rates slightly below the US-Canada traditional differentials, so if the Canadian dollar were strong we could tend to keep our interest rates slightly lower, and vice versa.

Mr. Laughren: Mr. Grossman might not like that. He would not get all the foreign investment he is after.

Hon. F. S. Miller: In the last week or two the Canadian dollar has been reasonably weak, I think. It seems to me it was down to 84 cents or thereabouts recently, which is in the lower range of the figures we have seen in the last while. Experts predict it will strengthen.

All I am trying to say is that, having listened to Mr. Bouey a year ago give his reasons for maintaining a high interest rate policy and state that the peak had been reached, it makes me feel that when people tell me it may now go up they could be as wrong as they were last year when they said the peak had been reached. It is a very difficult field to estimate, but as long as inflation remains high, interest rates are going to remain high. I think we both buy that.

There has been no major indication that the fight against inflation has been successful and that we are seeing anything but a series of upward movements in the underlying inflation rates.

Mr. Laughren: The CMHC rate now is, I think, about two points higher than it was a year ago. You might better look to that as a reason for the housing starts problem than to rent review.

Of course, you guys are locked in totally to the US dollar, you know that. You will not do anything about it. If you want to have an independent interest rate policy, you have to have an independent economy. You do not have that, and you never will have it.

3 p.m.

Hon. F. S. Miller: Just before you get carried away with that, even the Germans have to tell you, and they will tell you right now, their

interest rate policy is affected by American interest rate policies.

Mr. Laughren: Of course it's affected. But it is not totally dependent as ours is.

Hon. F. S. Miller: Ours is not totally dependent.

Mr. Laughren: Oh come on. You know full well if the value of the Canadian dollar were to drop, that would make it much more attractive for exports and much more expensive for imports, would it not? And that would cause inflation in this country.

If on the other hand, the value of the Canadian dollar were to go up, that would make it more difficult to export and cheaper to import, which would cause us all sorts of problems with our balance of payments.

So the government is totally trapped in its relationship to the US dollar. If we don't get the US dollars coming in—in the form of our exports, for example, and borrowed money—I don't think you have to have much of a knowledge of macroeconomics to know what happens to our balance of payments. We can't pay off the current account deficit—I don't think that is very complex—and therefore you are totally locked in, and the only way to resolve it is to make sure we don't import such a high proportion of manufactured goods.

That is the problem. I don't think it is terribly complex, and it is one of the main reasons we are always hammering away at you to do something about the various sectors in the economy here where we can have some control, where we can actually exercise some influence over the number of imports.

There is a lot of import penetration into the domestic market. That is why we are always after you about looking at those various sectors. It ties together the whole question of jobs. It ties together the independence of the Ontario and Canadian economy. It is tied in with interest rates and the value of the Canadian dollar. It fits very nicely and it is an area where you actually can have some influence.

I am not impressed by your throwing up your hands and saying, "We are just like the Germans, we are tied into the American dollar." What kind of—

Mr. Hodgson: If you are not going to import, what are you going to do with your exports?

Mr. Laughren: What are we exporting now? We are exporting resources and fabricated material.

Mr. Hodgson: Farm products—

Mr. Laughren: Yes, that is right, raw materi-

als. That is a raw material. We are not exporting processed food.

Mr. Hodgson: I represent a large group of people in the Holland Marsh. If that ever came out, they'd be down here after your hide tomorrow morning.

Mr. Laughren: Tell us about it some day. We are waiting for you to get on the speakers' list and tell us your solution to the problems. I mentioned in my leadoff, in this country our imports of manufactured goods went from \$12 billion to \$17 billion in one year.

Well, the Treasurer is providing no answers. I will go on to the next item on my list. That has to do with our resources.

The Treasurer was formerly the Minister of Natural Resources. I wonder if he would tell us what his plans are to increase the amount of minerals processed in Ontario—which the Mining Tax Act supposedly encourages, so then you run around and make exemptions to it; but nevertheless, it is in the Mining Tax Act, section 113.

What are you going to do to encourage more processing? And second, what are you going to do to increase the return on the resources to the people of Ontario? They now get a return of less than two per cent, and our sister province of Saskatchewan, with its minerals, gets over 20 per cent. If we could increase the proportion of return on our resources, we could have some money we could do something with in this province.

I would like to know from the Treasurer what his plans are about increasing the proportion of processed minerals.

Hon. F. S. Miller: You are right in the sense the Mining Tax Act was structured to maximize Canadian processing. And decisions taken since the Mining Tax Act had the relatively generous provisions for processing allowance built into it have stressed processing in Ontario, such as Texasgulf. It is true that these are seen within the Canadian context as being provincial preferences and may even end up being ruled—if the constitution is changed—as being unacceptable in the future.

You know that Noranda was one of the major objectors when Ontario brought in the Mining Tax Act changes in 1974, was it not, because it encouraged Texasgulf to create their own processing, smelting, refining operations? Now, if you ask are we going to stop exempting Falconbridge's nickel under section 113, the answer is no.

Mr. Laughren: Why?

Hon. F. S. Miller: For two reasons at the

present time—and we have discussed this many times, both in the House and in the estimate debates.

Number one is the sheer quantity of energy required for that particular processing. In a day and age when we don't have the kind of spare energy at the cost involved, I would argue the Norwegian source of energy is better than a Canadian source from our total economy's point of view.

Second, one job in seven in the nickel industry is related to refining; six jobs out of seven to getting it to the point where we ship it out of this country. The nickel market is no longer a Canadian monopoly. It was at one time. We are down to 30 to 35 per cent of total overall production, is that right?

Mr. Laughren: What were you doing when it was a monopoly?

Hon. F. S. Miller: In those days it was shipped to that country for processing, yes. In those days we could have processed it here, had one decided to—I quite agree it could have been. Let us go back and look at what happened with nickel matte and Japan when we used section 113.

Mr. Laughren: I know that story very well.

Hon. F. S. Miller: Yes, they stopped buying it, didn't they? All right. So that is exactly what I am trying to point out.

Mr. Laughren: That is why they then developed in Indonesia.

Hon. F. S. Miller: Right. And it is very simple to say we should take those arbitrary steps and lose even the production of the metal in the form in which they previously bought it. That really is cutting off the worker's nose to spite his face.

Mr. Laughren: That answer is not only nonsense, it is perverse. We had Falconbridge in Sudbury for almost 50 years; they do the dangerous work and the dirty work there, and they ship it out to Norway to do the refining. You cannot justify that with those kinds of spurious arguments. You are not fooling too many people with that kind of argument.

Hon. F. S. Miller: This is one of those cases when you are wrong.

Mr. Laughren: No, I am not wrong. I have done as much research on it as you have. The argument about energy is ludicrous.

Hon. F. S. Miller: If I am wrong, then the noble gesture of cutting the Japanese off to make them buy refined Canadian nickel did not work. What makes you think it is going to work for somebody else?

Mr. Laughren: Would I ever like to play poker with you. You are not hard to bluff, are you?

You talk about energy. Inco provides about 15 per cent of its own energy supply now. With a couple of dams on one river up there, the Spanish River, they can double that to 30 per cent. And yet where is Ontario Hydro?

You cannot make the argument the problem is one of a shortage of energy. It is a silly argument that Falconbridge could not build a refinery because of a shortage of energy. That is what you are telling us.

Hon. F. S. Miller: No, I am simply saying currently only 30 per cent of Ontario's electrical energy is water powered. Is that about right? The other 70 per cent requires a fuel. I would argue that with the fuels costing as much as they do, and in both cases being irreplaceable, there are better ways to utilize those fuels, there is a higher value or use for the energy that has to be created by fuel.

Mr. Laughren: Are you satisfied with the amount of processing that is done with our minerals?

Hon. F. S. Miller: I am not totally satisfied.

Mr. Laughren: What action are you taking to improve it? That was my original question.

Hon. F. S. Miller: I told you we use section 113, and we get a fair amount of processing within the province.

Mr. Laughren: No, no. Section 113 discourages local processing because of the exemptions. What are you doing to increase the amount of processing, is what I am asking you.

Hon. F. S. Miller: And again I answer by saying the Mining Tax Act with its processing allowances has done so.

Mr. Laughren: Where is it working?

Hon. F. S. Miller: Are you satisfied with Texasgulf or not?

Mr. Laughren: They have actually built a refinery and are doing something with it, yes.

Hon. F. S. Miller: What other decision for refining has been made since the act was changed?

Mr. Laughren: Look, Falconbridge is not some struggling little entrepreneur. You know they are part of Superior Oil—

Hon. F. S. Miller: And you also know they were almost bankrupt three years ago.

Mr. Laughren: Superior Oil?

Hon. F. S. Miller: No, Falconbridge. Just because a parent is not bankrupt does not mean the subsidiary—

Mr. Laughren: In your world out there, that is the way it works, is it not? I am asking you.

You are doing nothing to increase the amount of processing. Second, you are doing nothing to increase the return on our resources—nothing. Would you disagree that our resources are exported largely in unprocessed form? Well, the statistics speak for themselves. You don't have to answer that question.

Hon. F. S. Miller: By the way, I take great exception to your statement that we get two per cent of something. I would argue—

3:10 p.m.

Mr. Laughren: It is less than two.

Hon. F. S. Miller: You are taking the direct mining tax as the only benefit to the province.

Mr. Laughren: Yes I am. Corporate and mining tax.

Hon. F. S. Miller: But the fact remains that we do much better in a total context.

Mr. Laughren: I am using the same base for—

Hon. F. S. Miller: I find probably a Timmins or a Sudbury, bustling communities that they are, generating wealth and jobs for people, are an indication there is a good deal of the wealth from the natural resources ending up in the hands of people in this province and being utilized for their benefit.

Mr. Laughren: Why don't you get serious? I am talking about—

Hon. F. S. Miller: You just do not see the world that way. I cannot change your point of view.

Mr. Laughren: All I am doing is asking you to take a look at another province that gets a decent return on its resources compared to Ontario and you will not do that. You are quite satisfied with this relatively piddling return and I am saying that is wrong.

You run around pleading poverty in providing any kind of decent social programs and then when the opportunity is there to get some revenues you turn a deaf ear. You do not deal with it. So do not ask me to—

Hon. F. S. Miller: That assumes there is a great big chunk going to someone that is not going to government.

Mr. Laughren: The whole question of processing, for example, is not a case of a chunk going somewhere; it is a case of requiring the companies—

Hon. F. S. Miller: Three years ago you were asking us to have Inco make nickel at a loss, if necessary, to keep employment going. They were not selling for cost. Would you buy that?

Mr. Laughren: Yes, that is correct.

Hon. F. S. Miller: Yes, okay. Under those conditions, how does one get a bigger chunk of a negative figure?

Mr. Laughren: Do not twist it now. What we said was rather than an immediate layoff, you stretch the layoffs over a while so it does not do such damage to that community, that is all.

Hon. F. S. Miller: We can document wherever that kind of stockpiling, except on very rare occasions—

Mr. Laughren: They did it themselves.

Hon. F. S. Miller: Inco has always tried to level its ups and downs.

Mr. Laughren: No, they built up their stockpiles. All we are saying to you is carry on what they are already doing.

Hon. F. S. Miller: They had done so for about two and a half years prior to the layoffs, if you recall. But their projections of market upturns were wrong.

Mr. Laughren: Way out, that is right, sure. So what is your point?

Hon. F. S. Miller: I am simply saying the attempt to maintain relatively even production rates in a wildly cyclical market often fall flat, and again—

Mr. Laughren: You put that wildly cyclical market on the trend line and you will see it is not so wildly cyclical as you would have us believe.

Hon. F. S. Miller: Okay. The fact remains that when people tried to do that with the market pulp in the Scandinavian countries, they totally destroyed world markets, including Canadian markets. Do you buy that?

Mr. Laughren: I can look at the—

Hon. F. S. Miller: Do you buy it?

Mr. Laughren: I do not know.

Hon. F. S. Miller: You are an expert on nickel. Why are you not just as expert on market pulp?

Mr. Laughren: No, I did not say I was an expert on anything. I have never said I was an expert on anything. I am saying if you look at nickel consumption over the last 50 years, you do not see it being wildly cyclical. I rest my case. The point is you are still not increasing the return from the resources the way you should be.

I will go on to the next area and that is the—

Mr. Chairman: Just before you do that, I would warn the committee that I am also a member of the select committee on plant closures and I would like to go there for about half

an hour and get a flavour of what is happening this afternoon. Would someone mind taking the chair for half an hour?

Mr. Laughren: I wonder if the Treasurer could give us some of his goals in unemployment and employment figures. Surely he is not very happy with having to predict that there is going to be 7.2 per cent unemployment in the province. Surely he is not happy that there are 300,000 people unemployed, roughly, in Ontario now. Surely he would like to do something about that. Finally, surely he sees the Treasurer's role as having a function to play in keeping unemployment as low as possible.

I wonder if he could give us some of his employment goals for the next few years.

Hon. F. S. Miller: In answer to all your questions, I would agree that all your "surelys" were correct.

Mr. Laughren: Yes, therefore.

Hon. F. S. Miller: I would point out I am not as great a believer in the state's ability to change things as you are.

Mr. Laughren: I understand that.

Hon. F. S. Miller: Given that, one has to take whatever steps one believes will work in co-operation with whatever levels of government one works with to try to minimize short-term impacts and, secondly, to change the structure of your economy to achieve your objectives.

The phrase "industrial strategy" is often used. I am not sure what that may mean to you, as opposed to Mr. Peterson, as opposed to me, because I think it has a different connotation for different people. To some it is a totally ordered economy, to some it is a laissez-faire economy with a minimum amount of guidance, and to others it is something in between.

I would argue the in between is becoming the rule of the day rather than anything else because as we go on, governments are becoming more and more involved in the process of propping up industries that perhaps should not be propped up, the Chryslers of the world.

Mr. Laughren: It is funny to hear you saying that.

Hon. F. S. Miller: When did you ever hear me say any differently?

Mr. Laughren: No, but then you provide the grant.

Hon. F. S. Miller: We have not given a cent to Chrysler yet and you know that, don't you?

Mr. Laughren: You gave to Ford.

Hon. F. S. Miller: Ford, that is quite a different thing.

Mr. Laughren: Massey-Ferguson.

Hon. F. S. Miller: Massey we have not given a cent to.

Mr. Laughren: Oh, oh!

The Acting Chairman (Mr. Hodgson): You asked the minister a question. Why do you not let him answer your question and then you will have something for a response, rather than arguing back and forth.

Mr. Laughren: He asked me a question. He asked me what I—

The Acting Chairman: Let him answer it.

Hon. F. S. Miller: Tomorrow night I hope to take some steps that will reduce some of the unemployment between now and summer when many people agree the economy in the United States should have improved enough to have eased some of the pressure on the Canadian economy. It is done with great cost and pain to Ontario because obviously we accept for ourselves certain fiscal objectives.

Mr. Laughren: Like a balanced budget, yes.

Hon. F. S. Miller: Our friends in Ottawa have not set that kind of objective as important. I think you are on the Ottawa side because I do not believe you accept the balanced budget as being a necessary tool of government.

Mr. Laughren: If you balance the economy, you balance the budget.

Hon. F. S. Miller: We will do our best. Rather than telling you we are going to plan a five-year plan and we will have 4.65 per cent unemployment at the end of that time, one will do one's best to have a framework for expansion and have a set of policies, sectoral if necessary, to encourage industries like the pulp and paper industry, like the mining machinery industry—which has not yet been touched—to expand or locate in our province. We have argued many times about mining machinery but never in terms of our common objectives. It is a question of what will, in fact, encourage that investment here.

As time goes on, one sees a number of countries, like Mexico, putting in mandatory content requirements for manufacture within their countries. Those countries like the United States and Canada, which have not used that approach in most things, although the US has now done it with surface transit in a number of areas I am told, generally have believed that economic factors are the best ones to be used in determining where a plant location goes. However, when they see another country succeed through a combination of negotiating power because of an expanding consumer market and, say, availability of energy that can be traded off as a commodity in the process—

Mr. Laughren: Remember what Mexico told us when we were buying oil from them?

Hon. F. S. Miller: One of the things Ontario argues is if there is a national policy to negotiate Canadian exports of energy with Canadian industrial strategy, we would all be better off—

Mr. Laughren: That is right.

Hon. F. S. Miller: —instead of having the east and the west at loggerheads with each other. That is exactly the kind of role we seek for a strong central government, using the resources of disparate parts of the country in the interests of the whole.

Mr. Laughren: You remarked in your response to the recent federal budget that it did not respond to the structural problems in the economy. I believe you used that term. Your government also, a few years ago, made a submission to the federal government which outlined very succinctly the structural deformities—that was the term used—of the Ontario economy. May I assume you agree there are some structural deformities in the Ontario economy?

3:20 p.m.

Hon. F. S. Miller: If we did not agree there were some structural problems, we would be being unrealistic.

Mr. Laughren: Right. Could you tell us what you see those main ones as being, and why the provincial government has not the ability to do something about them?

Hon. F. S. Miller: Why don't we, at this point, ask some of my economists who are in the structural areas of the government?

Mr. Laughren: Absolutely. I thought you would never call them.

Hon. F. S. Miller: You are free to turn that way as well as this way. I find you turn to the right much more readily than you turn to the left.

Mr. Laughren: I have been accused. I represent the strength and centre. Who are your economists?

Hon. F. S. Miller: It is very hard to tell economists by their appearance.

Mr. Laughren: They all have two hands.

The Acting Chairman: Who wants to volunteer?

Hon. F. S. Miller: Mr. Purchase is normally the economist, although I suspect they both are economists. But one tells me how to tax you and the other tells me what stimulus should work.

Mr. Purchase: May I hear the question?

Mr. Laughren: The Ontario government has admitted there are structural problems or

deformities—those are government words, not mine—in the Ontario economy; I am wondering what you see as those major problems and what the Ontario government could do. I don't want to get you into policy, that belongs to the minister, but he is the one who has shifted the responsibility to you.

Mr. Purchase: I would think the latter part of your question, which asks what the Ontario government should do, I honestly don't—

Mr. Laughren: Not should do; could do.

Mr. Purchase: Could do. I am not sure I should answer that. In terms of what many economists—and these things are often said and are probably well understood, if not in the public mind certainly in the minds of people who are familiar with the economy—one can take it in sort of generic terms.

If you look at the labour market I think a structural problem would clearly be one related to skill training, not only in terms of current "shortages" of skilled employees, but also in terms of the anticipated skill shortages which would be related to the incredible growth in energy projects which are expected to take place in Canada.

Mr. Laughren: You would classify a shortage of skilled people as—

Mr. Purchase: It is a structural problem in the economy. In many respects it is not a new problem. Economies always have structural problems. In fact, economies always have skill problems. The nature of the skill problems simply change. There was a time in the province when the structural problem in the labour market was more on the side of people requiring BAs, university education; in fact, teachers, to be specific. That is no longer a structural problem in terms of shortage. There was for a time a structural problem of supply.

Mr. Laughren: That's why I am staying in politics.

Mr. Purchase: I think the question is that outside of skilled trades, increasingly people are identifying structural problems in the labour market with managerial training. That is with the administration side in finance and in marketing.

Many people believe that most economies of scale really don't necessarily start on the assembly line, if you will. They start in the head office, in the sense it is those people who determine the size of the market you eventually capture and therefore allow plants to achieve longer production and so forth. So you might argue there is a structural problem in managerial supply in this province.

If I may go on to other types of structural problems in manufacturing, a classic one which has been covered almost to exhaustion in literature in this country's manufacturing economy is this problem of production runs and rationalization of production within Canadian manufacturing plants.

Mr. Laughren: Could I ask you a question on that, if you don't mind? That would only apply to certain kinds of manufacturing, would it not? It would not apply to areas where we have a large domestic market, is that correct?

Mr. Purchase: That is quite true, although obviously it depends on what you mean by large, and on the size of a production line which is regarded as being economic.

As a rule, there are certain types of industries in which the marketing in those industries requires multiple products, a full line of products, and it feeds back into the production side. If you are trying to produce all of those products within a small market size then, obviously, you are producing short runs on each one. So there is that kind of problem, although there is, in fact, an increase in rationalization which is going on as a result of decline in tariff fares and so forth.

Mr. Laughren: I thought you were going to say because of global product mandating. I am glad you did not. Could I ask you one more question?

Mr. Purchase: Global product mandating is one option which a multinational company has to—

Mr. Laughren: I understand. You were saying—don't let me twist your words here—the structural problem you are talking about now then, is it the size of the domestic market? Is that a structural problem? Are you saying it is the inability of the manufacturing sector to cope with a small domestic market?

I am confused as to what the structural problem is that you are talking about.

Mr. Purchase: There are several different approaches. You might say short production runs is the structural problem, but those short production runs relate to both the size of the domestic market and your inability, or whatever, to capture export markets. So if you are looking for solutions, I suppose you look in those two areas, or you look at rationalizing the number of producers in the domestic market. The domestic market in principle may be large enough for a fewer number of producers.

Mr. Laughren: How would mining machinery fit into that?

Mr. Purchase: I am not really an expert in the mining machinery industry.

Mr. Peterson: Floyd, you are. Why do you not give us a speech?

Mr. Laughren: He would not believe me.

So that is another structural problem. Are there any more?

Mr. Purchase: As I said before, there is a long list of structural problems and economies always have them and always will. In the capital markets, for example, you might argue there is a structural problem in relation to their supply of capital to small businesses. That has been addressed on a number of policy initiatives.

Some people argue that in Canada there is insufficient capital available through equity, that for various reasons there are various types of tax incentives so that savings get channelled into nonequity investments. That they would regard as a structural problem.

Those same people would argue there is not a problem really with the level of savings today, which is high relative to the US, although not high relative to Japan, but that in fact the problem is with the delivery of those savings to the most efficient investment type of projects and that really more equity capital might be regarded as a more effective utilization of Canadian savings.

Mr. Laughren: I honestly do not know this; I am not trying to set you up or anything. Is the high proportion of manufactured imports a structural problem or is that a result of these other structural problems?

Mr. Purchase: To some degree. Canada's trade is a reflection of its comparative advantage, and that is a very real symptom. There is a sense in which countries, no matter how much they may wish to be something other than they are, cannot really escape the dictates of the international market, if you wish. So if you wish you were something you are not, if you define it as a structural problem, then, yes, the structure of Canada's trade is a structural problem.

Obviously there are policies which one could pursue to change that structure of trade. I think, though, it is fair to say that Canadian trade surpluses in manufacturing predominantly reflect fabricated materials.

3:30 p.m.

There is a common confusion, as you perhaps know, when people talk about our trade deficit in manufacturing. They are often really referring to end products, a very specific part of manufacturing, and not the whole gamut of manufacturing which includes many fabricated materials.

Mr. Laughren: If you call fabricated goods an end product.

Mr. Purchase: Newsprint, for example, does not show up as an end product, although one might argue it is reasonably a manufactured product. The same goes for various types of chemicals and so forth. So, the growth in end product deficits is really referring to various specific kinds of products; for example, automobiles, obviously, or ultimate consumer goods of various types and machinery and equipment which go in the end products category.

Many other kinds of industries, where people would consider themselves to be working in manufacturing industries, have surpluses. They are fabricated materials and they are based on Canada's comparative advantage in materials, but none the less they are manufactured. So there is a certain amount of confusion when we talk about a structural problem within manufacturing. We tend to think of manufacturing as being all of those things which Statistics Canada defines as manufacturing.

Mr. Laughren: Those are the main ones we covered anyway. It may not be exhaustive.

Mr. Purchase: I am sure that, given a chance to think about it, I could come up with a longer list. As the Treasurer well knows, we can always find problems.

Mr. Laughren: I will ask the Treasurer if he wants me to ask the next question of him or you.

What can the province do about those structural deformities or problems, and to what extent must you forever say, "The federal government simply has to do something about this"? To what extent do you even want them to do something about it—or do you want them to let nature take its course, as it were?

Hon. F. S. Miller: If one starts with the first structural problem we discussed, skill training, it is one where I think a fair degree of co-operation between the federal and provincial governments is necessary, especially the kind of co-operation we are now seeing at the government-industry-union movement level. Accepting that the problem exists, that the remedy must be found within our own resources, and tackling it through the employee-sponsored training programs, the improvement in the—

Mr. Laughren: The initiatives can come provincially there.

Hon. F. S. Miller: Yes. I think we have to worry about the attacking of structural problems. Some problems, such as the one discussed about the size of the unit runs in a market that is relatively restricted, are—allegedly—solved by the steps GATT took. You start to reduce the

tariff protection. I say "allegedly" because I am not sure yet that all you are doing is transferring the production run somewhere else.

The auto trade pact was aimed at solving what was basically a structural problem of that type, and I think in its own way, for a while at least, it worked very well. It is currently not working so well, but basically on the parts side more than the assembly side.

Mr. Laughren: Is it not safe to say that in a couple of the sectors, which I deliberately chose for this reason when I talked to you last week in this room—something like electrical products, strictly consumer electrical products—we do have adequate domestic market to justify significant production runs? For that matter, on the larger electrical products, given the nature of capital projects in Canada, which are substantial, we are a big consumer of large electrical products, so there is that area as well.

The other area I talked about was auto, where we surely have the domestic market to justify significant runs. Yet, we have a \$4 billion deficit in auto parts. I could go into food processing, where we have an adequate domestic market as well; and in electronics we have a good consumer market. I am wondering how you see that, either you or the Treasurer, where we surely have the domestic market.

We are the number two consumer of mining machinery in the world, and yet here we are, number one in imports. I just use that as an example.

Hon. F. S. Miller: Each year.

Mr. Laughren: Each month.

Mr. Purchase: There are enormous advantages to being first in an industry. The United States, which is a country very similar to Canada in terms of richness of natural resources, was first to develop its own machinery and equipment industry. Having been first it has a very long lead on most other countries in that regard. You are talking about entry into an industry other people have been very good at for a long time.

Many people, specifically people in the Science Council of Canada, are suggesting that technology in which you have a comparative advantage should somehow come out of your own native experience, your own resource base, your own geography or whatever. In principle one would argue yes, that sounds plausible; none the less other people have similar kinds of geography and resource bases, and in fact have a lead in that respect, if we are talking about mining machinery.

A second point which I think is relevant is

that the United States got a head start in almost all types of capital goods industry, if I may put it that way, mainly because they were a high-wage country and therefore had a much higher incentive to substitute capital for labour. They were far ahead of the Europeans and others in that respect.

What we are talking about here is whether a relatively small country, even if it does have the resource base which presumably would give it some advantage in terms of its engineers having a knowledge of the types of problems—necessity being the mother of invention—can translate that into commercial enterprise. What kind of barriers to entry are there to international industry?

Obviously the Canadian machinery and equipment industry is quite dynamic and indeed has found a niche in world trade. If we look at exports of machinery and equipment from Canada, I believe we will see that they have been rising quite dramatically.

Mr. Laughren: So have imports.

Mr. Purchase: I do not mean to deny the imports, but there is a place for us. We have been doing reasonably well if you look, not at the trade balance, but at the growth of the industry.

To answer your other question about the—

Mr. Laughren: How can you say, "Don't look at the imports, look at the growth of the industry"? One is a sign that it is not healthy.

Mr. Purchase: I would argue that is not necessarily so. I think the issue is whether there is any hope at all in this sort of situation, and if you look at export growth, you can see the potential. Overall one would think the Canadian machinery industry has a lot more potential.

If I may go on to the question of the domestic market being large enough, I must say the term "domestic market" is misleading in Canada. Not only do we have a small domestic market relative to other major trading blocs or trading nations like the United States or the European Economic Community, it is also highly regionally fragmented. Transportation costs are a very large part of location decisions for a manufacturer in Canada.

3:40 p.m.

We might see more plants per firm in Canada than we would in a less regionally diverse economy because, even though you are suffering smaller production runs in any particular plant, you do not have to bear the transportation costs of shipping a product from your Ontario plant to British Columbia or wherever.

Mr. Laughren: Or from Germany to BC.

Mr. Purchase: In the question of the domestic market you have to look at the regional market. If you think you can simply foreclose the domestic market to all foreign imports, you are into all sorts of subsequent reactions on the part of others.

Hon. F. S. Miller: Do you have statistics on what we actually produce in Ontario on mining machinery, the number of jobs, et cetera?

Mr. Laughren: I believe I have them with me.

Hon. F. S. Miller: I have them in my own information here somewhere.

Mr. Laughren: I think about \$275 million worth of mining machinery—I had better check that.

Hon. F. S. Miller: Here is the information I have, subject to its being refined.

Between 1,500 and 2,000 people work in Ontario in mining machinery and equipment. We have doubled our production in the last 10 years. Exports are up 55 per cent in the last five years, with half of that going to the United States. We had a deficit of \$250 million last year in mining machinery—that would be 3,500 jobs, if all the imports were replaced—75 per cent of those imports being from the United States.

This statistic surprised me more than any other. Of the 30 firms making most of the output, 13 are in northern Ontario. I think that is encouraging.

Mr. Laughren: The trouble with the figures you read—

Hon. F. S. Miller: I am not trying to defend them; I am just trying to get them on the record for information.

Mr. Laughren: The trouble is the proportion of the domestic market being met by imports is going up in mining machinery. It is not as though it were levelling off or going down; it is going up, and that is worrisome.

Hon. F. S. Miller: One of the key things here is that no diesel production facility is here. That is a key part of any mine machinery industry.

Mr. Laughren: Jarvis Clark started out as a distributor, and the mining companies kept coming back to them, saying, "This is a good machine but it needs this and this." They started making adjustments and alterations to the machinery, and pretty soon they realized they should be making it themselves because they had a better understanding of the domestic market. They grew like crazy. The potential out there, according to the Jarvis Clark people, is just astounding.

Hon. F. S. Miller: I saw a statistic that they were the 30th largest company in the world four

or five years ago; they are now about third or fourth in their field.

Mr. Laughren: They are determined to be number one. You should hear them talk.

Hon. F. S. Miller: Determined to be number one, yes.

Mr. Laughren: It is a very impressive company. Anyway, they didn't keep their expansion in northern Ontario, which is a bit of a problem.

What I have been trying to get at, and you have been very helpful, is why you do not address yourself to one or two of those sectors and say, "All right, we can either go on the way we are or we can do something about it."

Hon. F. S. Miller: Let me say I am going to—or I am; maybe the present tense is better.

Mr. Laughren: I worry when I hear you say, as you did a few minutes ago, something about one of the things you are required to do, and that tomorrow night you are going to see that some remedial action is taken to get us through until next summer.

The Acting Chairman: You influenced him to do it.

Mr. Laughren: No, no; I'm not looking for that.

The Treasurer said a few minutes ago he was going to take some remedial action through until next summer. He dumps all over the federal government for only doing short-term stuff and no structural stuff, and then he says he is going to do something to take us through until next summer.

Hon. F. S. Miller: But do not confuse the two.

Mr. Laughren: We will wait until tomorrow night.

Hon. F. S. Miller: I did not pretend I was bringing in a structural budget. I told you I was trying to solve some winter unemployment problems.

Mr. Laughren: There you go again. You are doing the very thing on which you have been critical of the federal government. I do not want to tip my hand as to how I am going to criticize your budget tomorrow night. I would not want to do that.

Hon. F. S. Miller: You will find a way, I have great confidence.

Mr. Laughren: You abolish Ontario Health Insurance Plan premiums and I will not say a word of criticism.

Hon. F. S. Miller: We will gladly supply a service to each of you and provide a speech writer if you need one.

Mr. Peterson: I hope it is not one of those you are using now.

Hon. F. S. Miller: I have been ad libbing my speeches, so no speech writer needs to take the blame.

Mr. Peterson: These guys all used to be Liberals, did they not?

Mr. Laughren: While I am on this whole thing about sectors, I wanted to ask about the auto sector.

Mr. Peterson: Mr. Chairman, could I have a supplementary? This is the first time I have heard any noises from you that you are looking at dabbling in a more fundamental way; I have no idea how to interpret that little statement you made.

Mr. Laughren: I did not hear him say that.

Mr. Peterson: Did he not say he was going to address his mind to some of the structural problems? That was the first glimmering I have ever seen.

May I just ask about the degree of interface you are having with Herb Gray on this, and how were you going about it? There are certainly noises that there is going to be a major policy initiative next year.

Hon. F. S. Miller: There is a meeting today on quite a different topic. I think Mr. Gray is at that meeting. I was to go to Ottawa at four o'clock along with three or four other ministers from Ontario to meet the same number federally on Department of Regional Economic Expansion matters which are, of course, regional in their scope. My own connection with Mr. Gray has been zero.

Mr. Peterson: What about your staff or Industry and Tourism? Are you working together on this so-called "industrial strategy" or sectoral approach and interventionist approach into some of the questions that my friend from Nickel Belt has been raising and others?

Mr. Dick: If I might make the observation, Mr. Chairman, the Ministry of Industry and Tourism and the minister and deputy minister in that ministry are very much more closely associated with Industry, Trade and Commerce, as you described, in the sectoral matters. We are very interested in the automobile industry because it is such a large component of the overall economy, but we tend to be more concerned in the broader aspects of it as an economic generator.

Mr. Peterson: You take the macro approach, watching it deteriorate, while the micro guys run around and try to solve it.

Mr. Dick: I tried so long to avoid the use of

macro and micro but I guess that is what it is. They do the sectoral thing, which I understand a little better. They work more closely with the companies and have the contact and the medium problems and translate those through to the federal government and so on, so there is a lot of contact between those two ministries.

Mr. Peterson: Are you developing hand in hand with the federal government? Assuming what I am reading in the press about Mr. Gray is correct, there are going to be some major initiatives early next year. Are those going to be worked out in conjunction with the Ontario government or in isolation from, or are you a party to it in an ongoing sense, or what is your relationship to those initiatives?

Mr. Dick: We are related to them. For instance, with the 23 sectoral studies that were done with industry and so on and reported back, we were closely associated in the development of those, and some of them more than others. That was done through Industry and Tourism. I would gather they are having a little more difficulty in the matter of Mr. Gray's forthcoming programs.

For my own part, I have not had any particular knowledge of what is coming out of that. I am not sure anything has been brought out. I think that has been singularly related certainly to Industry, Trade and Commerce, and if there is anything it has been with our Ministry of Industry and Tourism. I do know Mr. Grossman and Mr. Wilson will be with us tonight when we see these federal ministers and Mr. Gray will be there.

Mr. Peterson: You are going to Ottawa to meet these guys?

Mr. Dick: Yes, I am going down in lieu of the Treasurer, who has other problems.

Mr. Peterson: You are not dropping into Carleton, are you?

Hon. F. S. Miller: Yes, he is doing a little canvassing.

Mr. Peterson: I figured he would.

Mr. Dick: I did not know that.

Mr. Peterson: I am just trying to understand and you are not helping me out a lot. I am trying to figure out the degree of co-ordination here.

Every indication I read about Gray is that he is going to come out with some sort of more interventionist kind of approaches. I just wonder if you are philosophically attuned to that kind of an approach and if probably you are going to put up money along with him when that happens.

Have there been any determinations on that?

What is your philosophical predisposition on this?

Hon. F. S. Miller: My philosophical predisposition to intervention when I started in politics was totally opposed, because I came in with the idea that the world should be the way I wanted it rather than the way it is.

3:50 p.m.

Mr. Peterson: Jesus Christ, I hope it is exactly opposite to the way you wanted it.

Hon. F. S. Miller: The fact is that governments have become quite involved in industry's growth and planning. I have had some very real concern about some of the rumours coming out of Ottawa as to how nationalistic Mr. Gray's plans may be; his Foreign Investment Review Agency intentions; his requirements for a disclosure of information about FIRA takeovers and so on and so forth, that are going through the rumour mill these days. I think they are going to have, if the rumours are true, a tremendous backlash against him.

The kind of thing we were hearing, and we were only hearing it by rumour, was that if a company came in to take over a Canadian company and therefore had to make a FIRA application, in effect, it would have to make public all the terms of its offer and then allow somebody to go out and shop for a Canadian alternative on the same terms and conditions. On the surface it sounds very good, but it probably means that very few companies would ever get around to the offering stage.

Mr. Peterson: That is one aspect. Let us assume for a minute that he outlines a program in which the government is going to put up some big bucks for some retooling, a fundamental investment in the restructuring of a lot of the obsolete or borderline obsolete industries we have here to bring a world class competitiveness. Just assuming he is doing that and he is going to spend taxpayers' dollars, what I am trying to figure out is are you bargaining now. Is it like the Chrysler deal or the Massey-Ferguson deal, that you do not want to reveal your hand ahead of time, or are you prepared to enter into those kinds of discussions and negotiations?

I am not pumping for him right now, I really am not, but I am just wondering where you are on it. Are you prepared to—

Hon. F. S. Miller: I am not personally involved.

Mr. Peterson: You are still presumably the Treasurer. There is some question mark whether that is going to be for a while yet or not, but as long as you are the Treasurer, are you prepared to liberate those dollars? You could sell off some land to do it.

Hon. F. S. Miller: Yes, I will sell it to you.

Mr. Peterson: All right.

Hon. F. S. Miller: Make an offer.

I would reserve judgement until I saw the programs he was coming up with. Obviously we have been putting a fair amount of Ontario taxpayers' dollars into the employment development fund and assistance programs to industry, so we are not able to say government should not be involved in that process, but conversely, when we brought the pulp and paper program out, they very quickly offered to co-operate with us. They did and we appreciated it; it was a relatively smoothly functioning degree of co-operation.

For my money I would rather see two levels of government work together than fight. It makes life a lot simpler if both have the same objectives in mind.

Mr. Peterson: Do you have the relationships?

Hon. F. S. Miller: I have no relationships with Mr. Gray at all; they are not bad and they are not good; I have not even met the man, to the best of my knowledge.

Mr. Peterson: It is funny you have not met these guys because they all quote you; they are all very fond of you up there. You or your speech writers have won the real respect of the guys in Ottawa.

Hon. F. S. Miller: That does not fit in with what you were saying about me the other day. I did not realize they paid any attention to me.

Mr. Peterson: They do. When it serves their purposes, they are very fond of you. I am just trying to figure out where we are on this whole thing.

Hon. F. S. Miller: Certainly Industry and Tourism, I believe, have been having a number of chats with them and that was the logical first ministry.

Mr. Peterson: So often we see one political philosophy espoused at one level and the other one running contra to that.

Hon. F. S. Miller: I do not see any political philosophy differentials between the Minister of Industry and Tourism and me at all.

Mr. Peterson: Between you and Mr. Grossman?

Hon. F. S. Miller: Yes.

Mr. Peterson: But I am talking about federal-provincial. You have a feeling sometimes that if you guys would get your act together you could get a lot more bang for a buck.

It is interesting, reading McGillivray's article today, he describes the recession we are going through. It is not Canada's recession, it is

Ontario's recession. We have the most to lose; we are the most threatened, there is no question about that, therefore you have the most to gain if you can get some access to those guys and you have the proper relationship.

I told you before I have heard from senior bureaucrats here, who shall remain nameless, that the relationships are very difficult with Ottawa. They feel that all the goodies are swinging in other directions now and do not know the answer to that. I am not suggesting that a Liberal government here would have any better relationships. There are natural, in a sense adversary, relationships sometimes between levels of government and they are not easy things to develop in concert. I fully appreciate that.

Hon. F. S. Miller: It is interesting you should say those things at a time when we are being accused of just the opposite.

Mr. Peterson: I am talking about one particular aspect of the problems right now. I am just trying to discern where you are at and you have not been very helpful.

Hon. F. S. Miller: I am hoping that if the meeting of finance and economic development ministers is held in December as planned, now that the federal budget, such as it is, has been brought down, we will have some time to create the links that in the last two years have virtually disappeared between all provinces and Ottawa, simply because in those two years the government down there has been in such a turmoil with two elections within a short time frame.

The many years of Liberal rule in Ottawa had allowed them to establish a good many mechanisms for maintaining relationships with provinces. There were meetings of CCREM, Canadian Council of Resource and Environment Ministers, and so on. There were health ministers' meetings. There were finance ministers' meetings. They were all mechanisms for us to trade these kinds of things off. We have had a lack of that for virtually two years.

Now the new ministers are past their first six to eight months in office again, I for one have been stressing the need to strengthen the personal relationships between ministers of any political ideology or stripe that are so essential if you are going to have the kind of easy-going, working relationship that is necessary between levels of government. I think it is very nice to be able to pick up the phone and talk to a minister in another province or at Ottawa.

Certainly, I could safely say when the minister from Thunder Bay, Bob Andras, was there—

Mr. Peterson: He was a used car dealer. You have a lot in common.

Hon. F. S. Miller: We understand our language.

Mr. Peterson: You could talk about odometers together.

Hon. F. S. Miller: One of us could pick up the phone and say: "We are considering this kind of program. We need to know whether you are willing to work with us or not." The answer would be either yes or no for any project; and vice versa. That is an essential part, I think, of the process you are talking about.

My first piece of advice—I slipped up to see Mr. MacEachen, I think it was on March 17 of this year, very shortly after he was—

Mr. Peterson: St. Patrick's Day?

Hon. F. S. Miller: Yes. I would have to look in my diary but it was about then. It was during the mid-term break anyway.

Apart from wanting to meet the man, my advice to him was, "Mr. MacEachen, I would suggest with so many changes of provincial ministers of finance and at your own level, we all need a day together without any agenda, simply to talk so we can feel each other out and learn who can trust whom in the process and how we can establish less than formal lines of communication." I think one would find those types of

relationships have been part of most provinces' dealings with each other and with Ottawa over the years when things went well.

Mr. Peterson: I agree, but in a sense that is almost a Bracebridge Chamber of Commerce way of doing things too. There are some huge bureaucracies with a lot of accumulated expertise that would have to sort of interface on an ongoing basis.

Hon. F. S. Miller: I am not arguing with that at all, but the bureaucracy can do those things once the ministers wish it to be done. Bureaucracy can also stop it from being done if they wish to.

I would sense though that whether it was a Churchill meeting with a Roosevelt during the war or someone in Bracebridge dealing with a friend in Huntsville, the fact is much more is done when politicians talk to each other on a basis where they trust each other than if they do not, no matter what the bureaucratic backup is.

Mr. Chairman: And I am sure in Bracebridge their meetings are kept uniformly on time.

Hon. F. S. Miller: So it is now.

Mr. Chairman: That is my understanding. The committee adjourned at 3:59 p.m.

SPEAKERS IN THIS ISSUE

Ashe, G. (Durham West PC)

Charlton, B., (Hamilton Mountain NDP)

Cureatz, S.; Chairman (Durham East PC)

Hodgson, W.; Acting Chairman (York North PC)

Laughren, F. (Nickel Belt NDP)

McGuigan, J. (Kent-Elgin L)

Miller, Hon. F. S.; Treasurer, Minister of Economics (Muskoka PC)

Peterson, D. (London Centre L)

From the Ministry of Treasury and Economics:

Dick, A. R., Deputy Minister

Purchase, B. B., Director, Economic Policy Branch



No. G-7

Legislature of Ontario Debates

Official Report (Hansard)

Standing Committee on General Government

Estimates, Office of the Ombudsman

Fourth Session, 31st Parliament

Wednesday, November 19, 1980

Speaker: Honourable John E. Stokes

Clerk: Roderick Lewis, QC

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LEGISLATURE OF ONTARIO

STANDING COMMITTEE ON GENERAL GOVERNMENT

WEDNESDAY, NOVEMBER 19, 1980

The committee met at 10:13 a.m. in room 228.

ESTIMATES, OFFICE OF THE OMBUDSMAN

Mr. Chairman: Gentlemen of the committee, it is with great anticipation that we take a look at the chosen pearls of the office of the Ombudsman. I know we all had a sleepless night last night thinking about the kinds of inquiries and investigations that can be made this morning. We all have our questions ready. We have a full slate of Liberals.

I am in an embarrassing position because I am sitting on the select committee on plant shutdowns, and at this very moment we are taking a look at the Heintzman Company. I thought it might be appropriate if I could leave for a few minutes to look in on that. I was hoping that Mr. Epp might take the chair.

The Ombudsman is with us this morning. I apologize for my rudeness, but that is life around this place. I understand you have a few opening remarks. We will carry on from there to the Liberal critic for his opening remarks, and then to Mr. Lawlor for opening remarks from the NDP.

All right. Mr. Epp, if you will take the chair, I will be back in 15 or 20 minutes, after I get a flavour of plant closures, and we will carry on.

The Acting Chairman (Mr. Epp): I think we could start. Mr. Morand, if you have some opening remarks, we would be only too pleased to hear them.

Hon. Mr. Morand: I reviewed what happened last year when I was here before you, and I have a few comments. At that time we had only one regional office opened. We now have two regional offices. The original one was in Thunder Bay; the one we have opened since then is in North Bay.

The reason for choosing those areas is, as I have said before, that the diversity of the population in the north country makes it far more difficult for them to contact our office. Also, for whatever reason, they have 12 per cent of the population and 16 per cent of the complaints. The long distances make it difficult for them to contact people.

Also, at Thunder Bay there is a mini Queen's Park and we were sending investigators to look at files up there. The cost of sending investigators around the north country was a fairly substantial item and we decided we could open these two offices, with very little additional cost to the taxpayers, and give much more efficient service. It is too early yet to lay down a cost item of both staffs to see just exactly what the extra cost is, but it is not very large. We are giving better service.

As you all know, we send people out to different places away from the Toronto area, to see if there are any complaints. The local staff in the north country now handle those hearings and we do not have to send people there from Toronto. This has been a saving in cost of the hearings. And because the people are closer, they have been able to make appointments for hearings and avoid long lineups. The people in the north country can now get an appointment when our representative comes to their area and it saves them waiting time.

All in all we are well pleased with the results of the opening of the two offices. We hope to have an actual dollar breakdown probably at the end of the year. I expect that while it will show it is costing us more money initially, we anticipate that the savings will pretty much offset the extra cost.

The last time we talked, we had a large fleet of automobiles and we were discussing whether we needed them. In the Toronto area we had 11 automobiles, and I am pleased to advise that we are now down to four rental automobiles and two that we own. We have cut our fleet from 11 to six.

We cannot, of course, dispose of our old automobiles. We turn them over to the Ministry of Transportation and Communications, who take care of them. There are rules and regulations about mileages on automobiles before you can turn them back in, and we have kept the two because they do not yet have sufficient mileage to be turned in to MTC.

We intend to go completely to leasing our automobiles. Our studies have shown it is cheaper to lease them than it is to buy them. We are well

into our leasing arrangement. Through drastic scheduling of the use of the automobiles we find we are now getting by with six automobiles where we had 11 before. We hope that by the end of the year we can get by with five automobiles.

In cases of emergency—it sometimes happens that we would need an automobile and not have one—we will rent one on a short-term basis, overnight or for two days, or allow one of the employees to use his own automobile on a mileage basis. The reduction in automobiles has been a substantial saving.

Everyone, including me, is interested in the Pickering report. It is well on its way. I have not read it yet; as I have explained before, I have deliberately refrained from getting into that item until I get the report. But I know there are more than 1,000 pages in the report. It is being edited and put on the word processor now for printout. I expect I will be getting that very soon, and I intend to spend my full time on reading it and going over it carefully.

The next step thereafter is a new 19(3) letter. I will have to decide whether we have a 19(3) letter and what goes into it. A good deal of that will depend entirely upon what is in the Hoilett report.

10:20 a.m.

I discussed word processing when I was here last. We are moving to integrate our office into word processing, and we have changed some internal secretarial procedures. We are going slowly at it. Our studies have indicated that too many offices have jumped in wholeheartedly and it ended up costing them a lot of money. We are introducing it as we need it and as it will save us money. I anticipate that we will still be in the introduction phase two years from now, but eventually we will be completely converted to word processing.

The Workmen's Compensation Board is another problem our office has. Most of you probably know we hired extra staff to try to catch up on our backlog. I am pleased to say that now when a case comes in, it is immediately allocated to an investigator. Just this week, I signed two reports on cases which came into our office as late as May of this year.

We still have old cases being worked on, but we have reduced our total number of cases in workmen's compensation. That directorate is now down almost 200 files from their high mark earlier this year. We have put a drive on old cases and I asked yesterday for some figures on it. It is interesting to note that during the whole of last year we closed 508 files that used to require a year or longer to close. In the first six

months of this year, we closed 574 such files, which is more than double the rate for last year.

I had taken a computer printout of all cases that were over a year old. Then I sent memos to the directors and asked why. By putting a drive on the old files, we were able to double our clearance rate on the older files.

A common tendency among human beings—I know I ran into it when I was practising law—is to push a tough file aside and say, "I will do that tomorrow." So these old files sit there, and the longer they sit there, the more they get pushed into the corner. Unless somebody says, "Do it now," they do not get done.

We found one sitting there which had been there for two years with nothing done on it because the investigator just did not know what the devil to do with it. Instead of having the sense to go to his director and say, "I do not know what to do with this thing," he just sat on it. We are keeping a eye on the old ones.

On general office study, I cannot guarantee these figures because they are not finalized, but I think our in-progress files are down approximately 400 to 500 files. That is not because we have fewer complaints; it is because we are upping our closing rate. We have made certain changes in the office.

One of the most difficult things for people to do when they are making investigations is to make up their minds. The only way you can get anywhere in the business we are doing is to have people who make up their minds. By arranging procedures whereby people have to make up their minds, we have been able to expedite the closing rate.

We expect to be in our new building by February 1. For those who do not know it, it is the Lillian Massey building at the corner of Bloor and Avenue Road. The move is the result of several years of hard work in trying to find a place. The cost of our present office was going to go up drastically. We are now paying \$15 per square foot for a short extension. They would only give us a five-year lease, and the renewal rate would be somewhere between \$18 to \$21 a square foot in five years.

In our new building, which will give us the additional room we need, we were able to sign a 10-year lease and we are paying approximately \$10 a square foot. Our estimate is that on a 10-year lease period, the saving to the taxpayers will be over \$1.5 million. Our figures are \$1.6 million, but I am safe in saying \$1.5 million.

We have authorization for 122 staff. Our present permanent staff is 108, plus six contract complement, bringing it to 114. Then we have 12 temporary contract employees, bringing us

to a total of 126. You might ask how we get 126 when we only have a complement of 122. We are entitled to hire extra staff over the 122 for short-term leases on a strictly contract basis. I anticipate the terms of most if not all seven of those employees will run out in February of next year. They are primarily Workmen's Compensation Board personnel.

That is the rundown on our office. We have gone back to the Board of Internal Economy to get extra funds on the basis of our cost of operation for the year going up \$173,000 by reason of the cost of living bonus given to the employees. We had been able to save \$90,000 this year out of operating costs, so we only asked for \$83,000 and not \$173,000.

Those savings have been effected in many ways—travelling, Bell telephone. I am pleased to say through some changes we have made, one change alone saves us \$7,000 a year.

I think before we finish, our telephone cost probably will come down about \$20,000 a year from what it has been in the past. In our new building, we are putting in a new system and, quite frankly, the ability to say, "If you do not have a system that suits us we will go elsewhere," which we now can do, gives us a little bit of leverage. I know we saved \$10,000 a year and I am sure it will probably be \$20,000 every year on our telephone costs.

That is all I have to say by way of opening remarks. I am open now to questions.

The Acting Chairman: Thank you very much, sir. I think I will take the prerogative of the chair and congratulate you on your cost-cutting effectiveness.

On vote 1201, Office of the Ombudsman program:

Mr. Ruston: I suppose Mr. Lawlor has more expertise in this since he was chairman of the committee, but our members on the Ombudsman committee are tied up in other committees this morning.

I was on the original committee and I was interested to hear your report on Pickering was coming about. We were involved in that; some steps were taken during the committee finally to try to resolve the problem. That has been ongoing for so many years now, I even hate to ask you what your estimate of the cost of the final report is going to be. I will leave that to a later date; I am sure it is going to be astronomical.

I was interested too that you have opened up in North Bay and Thunder Bay. I think that is a good move. It is obvious that your attitude on this job is also to take an interest in administration, because I can see it in your reporting of the automobile fleet and especially in your lease of

this property for \$10 a square foot on the corner of Bloor and Avenue Road. Is that a new building?

Hon. Mr. Morand: No, that is the old Lillian Massey building. Perhaps their reasoning in giving it to us so cheaply is that it is owned by Victoria College; it was presented to them by the Massey family and it was used as a women's home economics building. It is a beautiful building but it has been empty for many years and it has been costing them money to keep it up. They decided, instead of being a money loser, it should be a money producer for them.

We were looking for space and we fit into their plans very well, because we are not the type of office that will run down their building. I think we are the type of tenant they would like to have. We are a long-term tenant. They can afford to lease to us, certainly for the first 10 years, officially just to cover their maintenance and conversion costs. I am satisfied that is what they have done.

10:30 a.m.

It is also a building in which there is loss of space by reason of the wide hallways, so in getting it for \$10 a square foot, we know we are paying for more waste space than we would in a normal building, but it still works out at a very good rate.

As we become more crowded, because these hallways are, I think, 10 or 12 feet wide, we can put desks down the hallway if our office grows. We have indications two more jobs may be given to us. I know our office is being considered for them. So if the office grows in the future, we have room for expansion.

We have the whole building with the exception of the main floor facing Bloor Street. I understand that will probably be a bank, but it will be completely detached from our office. Each investigator now in our office will be able to have his own office, rather than two and three to an office. As sometimes happens now, if someone is coming in to see an investigator, the other investigator has to get out of the office while the interview takes place. It slows down the work, so this should increase efficiency.

Mr. Ruston: Of course, the Workmen's Compensation Board is always a problem to everybody. I know it is in our office and I guess all the members have the same problem. Apparently you people also have a problem from what I can gather from your remarks. Maybe we will have to wait, with this report that came in yesterday, on anything to do with workmen's compensation.

Hon. Mr. Morand: If I might comment on it,

just for a minute. Our relations with the Workmen's Compensation Board have improved drastically in the last six months. We are finding we get replies quickly; we are getting co-operation; our rate of closing of files has gone up dramatically; there seems to me to be a new spirit up there. They have allocated a special group to work with our office. We can call up now and discuss matters. Before they would say, "We will have to get the file," and so on.

We have co-operated to the best of our ability in whatever Professor Weiler asked of us. I have not had an opportunity to read that report. I am looking forward to it with great interest, as a matter of fact.

Mr. Ruston: That is always one of the problems we have found: they have to get the file and it is a number of days before they find the file. Anyway, I do not think there is any use in getting into detail on that because it has been an ongoing problem.

You do take care of the complaints that come to you, regardless of whether you have jurisdiction? You look after the complaint, let us put it that way.

Hon. Mr. Morand: We look after the complaints. We do have jurisdiction over WCB if they have gone through the appeal procedure.

Mr. Ruston: Yes, I realize that. But at the initial stage, I am sure you get complaints from people, very likely.

Hon. Mr. Morand: What we do is open a file and then advise them where they should go. We close the file, but we know they are going to come back to see us.

I will give you an example. In the last six months we have reopened 48 files. Those were files that were closed because they had not gone through their appeal procedure. They then went through the appeal procedure and they came back to us.

Mr. Ruston: I am thinking now more or less of the general philosophy of your position. I was one who criticized the previous Ombudsman with regard to what I perceived as the Ombudsman's function in Ontario under the strict jurisdiction you have now. I felt, perhaps it was a larger organization than I perceived as being necessary.

I was looking only at the jurisdiction you had, but the problem is many people come to you before you can take over their cases and you have to deal with each one of them. You cannot tell them to get lost. You have to take some steps to try to assist them.

I suppose that is what I did not perceive as being part of the job. I have seen other other

provinces where their staff was much smaller than ours, considering the population. I perceived us to be just a little too grandiose in the original stage.

I may have been wrong. I may have perceived it as a different function from what it actually is.

Hon. Mr. Morand: If I could comment on that: I was concerned about it as well and I have checked around. Alberta with two million people—less than one quarter of ours—has 38 people. British Columbia with fewer than two million—a little over a million and a half—has 36. Nigeria has 118.

France has 47, but they have 10 times our population. I did drop in to see them. Much to my surprise—I did not expect it—they are highly efficient. They have the latest in word processing machines. I was quite impressed with their operation, as a matter of fact, although they complain they do not have sufficient staff, they are running away behind on their cases, they cannot get them out.

I say this with all due modesty: I think we have the best office in the world, quite frankly. I have seen a number of them. I have talked to many people in the world.

I know it is expensive, but I do not think there is any use doing the job halfway. In other words, where do you draw the line? If people come in and they have a complaint, to save money do you say, "Go somewhere else"? Or do you say, "I am going to investigate your case but not that case"?

I knew of those complaints when I took over the job. That is one of the reasons I have been so gung-ho on getting administration costs down and so forth, so we do not spend any more money than we have to. I know the gold-plated image was there. I am trying to dispel that image.

I am sorry if I interrupted. Go ahead.

Mr. Ruston: No, that's fine. Those are the concerns I had. That is all I have right now.

Mr. Lawlor: I have a couple of general comments to begin.

Perhaps somewhere along the way, just for sentimental purposes, you might compare the job of Ombudsman with that of a judge.

Hon. Mr. Morand: How long a lecture would you like to have?

Mr. Lawlor: You could do it right now if you want.

Hon. Mr. Morand: Okay, I'll do it right now, because that is a fascinating subject.

Many things have been written and said about this. The Supreme Court judge from Australia said very recently that ombudsmen were doing

the job clerks should be doing and were not doing. I do not agree with that.

He also takes the attitude that we are on the road to a situation where any action by a government that results in a loss to a citizen will be compensated for, whether there is any fault, negligence or maladministration along the way at all, just as long as that action resulted in a loss to a citizen in any way. I do not agree with him. I do not think our population is ready for that step yet.

To go back in history, they have throughout Europe an organization known as Conseil d'Etat. Conseil d'Etat is an administrative court which started in France and which spread, primarily through Napoleon's efforts, around the world. They have one in Brussels; they have them in Germany; they have them in Greece.

10:40 a.m.

The Conseil d'Etat, or council of state, started out as an administrative hearing whereby people brought petitions. The council of state advised the government, by report, what they should do, but the report had no force of law. In other words, he was like an Ombudsman is today.

Over the years, the human family being what it is, they wanted to tidy things up and they gave this court the power to enforce their orders. Incidentally, the Star Chamber in Britain was based upon the conseil d'etat idea. Francis Bacon said it was the jewel of the British system of justice. Of course, it turned out not to be that.

My view is that by getting the power to make orders the conseil d'etat turned into simply another court. I know that a lot of prominent people disagree with me on this, but my attitude is if you ever give the Ombudsman the power to make enforceable orders, you are going to turn the office into another court and destroy the beauty of the Ombudsman's office.

I see the Ombudsman, not as doing the things the court should be doing but is not doing, but as doing the things that a court cannot do. By its very nature a court cannot operate in an informal manner; it must operate in a formal manner. Therefore an Ombudsman should always be very careful to see he does not operate in a formal manner, but continues to operate in an informal manner. He should not have the power to make enforceable orders, because the minute he does, the office turns into a court.

As I see it, the idea of an Ombudsman is to investigate primarily to see whether the citizen was unjustly dealt with. Forget about the fancy phrases we use in the act. We have to have them and we have to follow them. But the idea is, was this citizen unfairly treated? That is the basic

test. If he was, my view of the Ombudsman is that he look into that informally, find out and report to somebody who can do something about it; and that is the Legislature. And we report to the Legislature through the select committee.

The gist of the whole thing is not to say, "I would have come to a different conclusion," because I think that is a dangerous trap for an Ombudsman to fall into, to substitute his opinion for the opinion of the board, agency, administrator, et cetera. No two people are going to exercise discretion in exactly the same way. If the Ombudsman elects to use his discretion and say, "My discretion is better than the administrator's discretion; therefore he should change," he is going to end up being an appeal court for every board, agency and administrative agency in the country. He cannot do it. It is impossible.

One has to walk that tightrope of saying: "That decision was so bad he could not have properly made that decision on the evidence before him. Therefore I am going to recommend . . ." When it is a little closer to that line, you say, "Well, I would not have come to that conclusion, but the facts of the case were open to the administrator or the board or the agency to come to that conclusion; therefore I am not going to substitute my opinion for their opinion." Therein lies the rub. Where do you draw that line?

It sounds very simple, but I asked at one international Ombudsman group, "What system of fairness does the Ombudsman use?" That sounds very simple. I would say we use in Ontario the Judaeo-Christian idea of fairness. However, the Judaeo-Christian idea of fairness is not universal. The Muslim countries use not the Judaeo-Christian but the Muslim idea of fairness.

An Ombudsman must be out of politics, yet he must have a political sense in the true sense of the word. When exercising the use of the words "unfair," or "unreasonable," he has to do it in the context of the society in which he lives. Courts do not have to do that. Courts can say, "That's the law and to hell with you."

Is that enough of a speech on that, Pat?

Mr. Lawlor: That's good. Perhaps in your report you might take a little time, I suggest to you—

Hon. Mr. Morand: It will end up a big report again. I am trying to get it smaller.

Mr. Lawlor: The problem is that the definition of that office is still extremely vague. Half the difficulty in the functioning of the office

originally, and even today, is that we do not know what the contour lines are. Your mode of address, the way in which you perceive it, and obviously the way in which you then operate within it will determine to a very great extent what that thing is going to look like in the future.

Hon. Mr. Morand: I have been writing a little paper on what I have just been saying to you, expanding it at greater length. If time warrants, I may write a paper on it now.

Mr. Lawlor: That would be a good idea. Stop writing science fiction. Everyone knows the Ombudsman is an aficionado of science fiction, I take it.

I have about 12 topics, most of which the Ombudsman has already been over. He has been through the hoops on a lot of this already, and I do not know just how far one should go. In other words, he has been before the Board of Internal Economy with respect to the estimates. I do not think they probed very deeply in a number of areas, but I recall, from sitting in on a hearing, that they were concerned with your new lease situation and that there was some hangup on that for a period of time.

One little thing bothered me just a bit. You had made an application and you wrote a letter with respect to the International Ombudsmen Institute, to which all Ombudsmen belong. The province of Ontario is expected to make its contribution, which I believe is \$20,000.

You wrote to Mr. Fleming about it on December 13, 1979. I find it a little amusing that Mr. Fleming wrote back saying that as the Board of Internal Economy would be hearing the matter, you should hold in abeyance any cheque you might forward, when I see that a full seven days previous thereto, namely on December 7, the Premier (Mr. Davis) had written from on high telling you to go right ahead. Who runs this place?

Hon. Mr. Morand: I can tell you how this came about. The application was made by the International Ombudsmen Institute to the Premier. I was there because I was the local Ombudsman.

The Premier said: "Yes, I will agree in principle. You discuss with the Attorney General how much. You will have to get it approved by the Board of Internal Economy and it will have to come out of your budget," which was not really what I had hoped would happen. As a result of that we went back to the Board of Internal Economy, with approval from on high, as you say, but still having to get approval from the Board of Internal Economy, which we did get. We sent the cheque to them in February, if I remember correctly.

Mr. Lawlor: That answers my question. You did not issue the cheque until after that. Just between you and me, Mr. Ombudsman, that board is one of the banes of our lives, at least for some of us.

We have salaries, automobiles, the lease situation— Just pausing over that for a moment, you have had a monumental increase with respect to your services component. It is over \$1 million, largely taken up with this move, I take it. Can we expect a very considerable reduction in service cost in the next fiscal year?

Hon. Mr. Morand: Yes, you can.

Mr. Lawlor: Half, perhaps?

Hon. Mr. Morand: I would say probably \$300,000 less.

Mr. Lawlor: That is 25 per cent; that is great.
10:50 a.m.

You talked about automobiles and said you had four rented and two in your own name. Your intention when you appeared before that board was to switch completely, as I understood it, to lease.

Hon. Mr. Morand: We will eventually. We cannot turn back cars to the Ministry of Transportation and Communications until they have so many thousand miles on them. These two cars do not have sufficient mileage, so we are keeping them until they have that, and then we will turn them back. We could have asked for a special dispensation, but they are still reasonably cheap to operate at this stage.

Mr. Lawlor: Is there a substantial reduction in that area then, with the reduction from 11?

Hon. Mr. Morand: Yes. It is very hard to figure out, because when you buy automobiles as part of government, as we are, you budget for the whole cost in the year you buy them. There is no depreciation writeoff and so on. When you compare year by year, it just does not make sense.

In other words we had a fleet of nine automobiles that needed to be replaced. Had I gone out and bought nine automobiles in this past year, we would have had a monumental cost item for one year, but next year it would have been just normal maintenance costs. It is hard to set up a comparison, but our accounting department is satisfied—perhaps they can check me on this—that we figure we can save \$200 per car per year doing it this way—

Mr. Mills: That sounds reasonable to me.

Hon. Mr. Morand:—rather than buying them and keeping them for a number of years.

Mr. Lawlor: On the salaries aspect, in the report you submitted last February there are

quite a number of positions that are vacant at various points throughout the salary data sheets. Is it your intention to fill in these vacancies? If you did so, what would the staff be then?

Hon. Mr. Morand: The staff would not exceed 122, because we cannot exceed 122. My attitude is we will probably fill all of these positions, but we will gradually phase out the contract employees. I wanted to leave vacancies so that I could have extra staff on the Workmen's Compensation Board staff for two special projects we are running. So I did not replace vacancies elsewhere; I hired contract staff.

When we get reorganized in our new building and find out just exactly what we do need—we are still in the process of finding out whether we can cut back one investigator here—we will switch them over to permanent complement. I am hoping, and it is only a hope at this stage, that we will end up with fewer than 112 employees. This, again, is based on the premise that we do not get any other work given to us.

Mr. Lawlor: I don't mention names invidiously in any way; they just happen to be here. I notice you had on contract staff a registrar by the name of McKew, and that a very small sum of money was expended for a registrar. Did you appoint a permanent registrar somewhere along the way?

Hon. Mr. Morand: He was a permanent registrar for the Pickering hearing. He now does other work in the office along with that. His contract runs out, I think in March of next year, and he will not be renewed.

Mr. Lawlor: He will not be renewed?

Hon. Mr. Morand: No.

Mr. Lawlor: You will get along without a registrar?

Hon. Mr. Morand: Right.

Mr. Lawlor: I was pleased with your remarks on the Workmen's Compensation Board. I know that, like all of us, you have not had an opportunity to look at the Weiler document of yesterday which recommends administrative changes of a fairly far-reaching variety. Somewhere along the road—not in these estimates—I am sure the members of the House would welcome your comments on that.

One of the things was that clinic business about doctors, a medical referee type of thing—not in the technical sense of your act but a board which I suspect may have come from your office, or at least in conversation between the two offices, which we launched into in our estimates of last year.

Hon. Mr. Morand: Yes, we spent quite a bit of time on it, as a matter of fact.

Mr. Lawlor: Yes, we did. I was never quite sure subsequently whether it was either workable or working. What do you say?

Hon. Mr. Morand: We have had a considerable problem with it. We started off with great emphasis by the Ontario Medical Association, which was glad to be of help and assistance. I would say any delay since then has been on the part of the medical doctors, not on the part of either the board or ourselves. We have had some problems in getting panels together, not that there have been that many, but the ones we have had we have agreed upon, although there has been some difficulty in getting panels.

Again, it is hard for me to criticize. I know doctors are busy; I know it is hard to get three doctors free, and so forth; but that has been the problem, quite frankly, since that time.

Mr. Lawlor: In a different area, and I have to speak gingerly and with gentleness about this topic. You said this morning, much to the universal gratification of all the nations of the earth, that Hoilett almost had achieved notoriety; in other words, had almost finished his report.

Hon. Mr. Morand: How far he is away from finishing I do not know. I have taken the attitude, as you know, that he has spent so much time on it there is no use pushing him to completion, but I do know it is over 1,000 pages. I do know it is in the process of editing at the present time. When I will get the finished document—

Mr. Lawlor: I am sorry, Mr. Ombudsman, what does editing mean?

Hon. Mr. Morand: He has an assistant who is going over it and checking it.

I do not know how many reports he has written. Having written one royal commission report, I can tell you I went through five drafts. You read your first effort, when it comes back, and you say to yourself, "Did I write that garbage?" You find you have left dangling prepositions; you have done all sorts of weird and wonderful things; you are in the past tense for part of it and in the future tense for other parts. So I went through five drafts before I finally turned it free.

Experience, I think, teaches you it is better to have someone else do it rather than yourself, because you tend to read it as you think of it in your mind and when you are reading it, you do not spot the anomalies and the mistakes as you go along. He has got another chap reading this one, going over it, double checking, not on the content but as to form, layout and so forth.

Mr. Lawlor: It is not just, as you understand it,

a question of punctuation and sentence structure, it is also a question of content?

Hon. Mr. Morand: No, the content will be entirely by Hoilett but it might be a case of, "Do you not think this part should be moved over to this part?" and so forth. This is entirely Hoilett's report, no one else is writing it.

Mr. Lawlor: It has been something of a running sore and subsequently turning into an aggravation. Let me put it this way: as a pure politician I trust the report will come out prior to the next provincial election, otherwise you are never going to get a resolution of the issues involved by reason of sheer lapse of time. These things tend to ossify in the process and when five years go by, with no payment out, et cetera, people do tend to harden their positions.

However, it is getting close and we will wait upon it and perhaps before the next meeting of the committee of which I happen to be chairman, in January, we may peruse it. I would trust so. Convey my sentiments, please, to Mr. Hoilett.

Your office had launched into a form of fantasy at an earlier time with a firm by the name of P. S. Ross and Partners with respect to management consulting services. Have you pursued that at all?

11 a.m.

Hon. Mr. Morand: Yes. We run our own show now. We have looked at our—

Mr. Lawlor: I am sorry. Are they still under contract at all?

Hon. Mr. Morand: No. I read their report with great interest. Quite frankly, there are some changes I would make were I starting the office afresh, but at this stage, any changes that I have in mind I think I have to go about slowly. I have to bear in mind the production in the office and the volume of work that is going through.

I have my own ideas as to an efficient type of operation. I like what I call the "army model" or the "pyramid model" or the "General Motors model," where you start at a peak at the top and diversify as you go down. That would entail some changes in the office, but I do not think that now is the right time to make them, but maybe some time in the future.

Quite frankly there are three separate directorates dealing with investigations. Were I starting from scratch, I would have them all in one directorate; I do not think it is feasible at this time but maybe at some time in the future we will combine them.

There are other minor changes we have made. We have streamlined the administration. The regional services are now operating out of North Bay; Gilles Morin is in charge. Our group

dealing with meetings around the province, publicity and so forth, is now under the legal directorate. We have made some internal changes to expedite and to save costs, quite frankly.

My own view, and of course I must bow to the professionals, is that the people inside who are running the job should know better than anyone else what needs to be done, although sometimes it pays to have someone come in from outside to look at it and say, "Why don't you try this?" or, "Why don't you try that?" We have had our study and I think that it is all we need.

Mr. Lawlor: Almost from the time of your taking control of the office, there were certain demarcations; the Ombudsman's group, for instance. Have you maintained those lines basically?

Hon. Mr. Morand: Basically, except the number of people working in the Ombudsman's group has diminished drastically. For instance, the group doing the travelling around the province, the publicity group, used to be in the Ombudsman's group. I moved them from that and put them into the legal group. In addition, I have eliminated three employees from the Ombudsman's group so that group is much smaller now.

Again, as time goes on—I think it is too early to comment publicly—I have some other ideas in mind. But those will depend upon staff changes and so on.

Mr. Lawlor: Were the people who were taken out of the Ombudsman's group reassigned to another group basically?

Hon. Mr. Morand: They were not replaced. Two were not replaced.

Mr. Lawlor: You have eliminated the night duty officer.

Hon. Mr. Morand: Right. We had the night duty officer and then we had another person who stayed on to sort of protect the night duty officer. So it ended up that we had two people there. We had people on staff until 10 o'clock at night. But then we switched over to an answering service.

We monitored our calls and found they were infinitesimal after normal working hours. So we cut back, first of all to six o'clock. We again monitored our calls and found they were infinitesimal, so we now go on the straight answering service. We have an answering service that takes over and there are people available whom the answering service can contact. Different people are on call.

But it saved a substantial sum of money to not have two employees working until 10 o'clock at night, every night, for an infinitesimal number of telephone calls in the course of the year. If I

recall correctly, in the survey we had only one call that could not have been made just as well the next day as on the night they were calling, so we were paying for this. That call was picked up by the answering service.

Mr. Lawlor: Bill Hodgson will tell you that half his calls come at two o'clock in the morning. I could say the same; maybe more than half.

Mr. Hodgson: Yes. If you do not mind me interrupting—I think you pretty well answered it. You said you had one call with two employees there from six o'clock till 10 o'clock?

Hon. Mr. Morand: One call that could not have been made just as easily the next day.

Mr. Hodgson: But that would be unusual. What would be a usual day? How many calls would you get?

Hon. Mr. Morand: Two, three, four.

Mr. Hodgson: It hardly warrants two people.

Mr. Lawlor: Under those conditions, that night duty officer needed someone to talk to.

Are you maintaining your parliamentary office here in the building?

Hon. Mr. Morand: Yes, we are.

Mr. Lawlor: It is a nice gesture, but is it well utilized by members?

Hon. Mr. Morand: I do not know whether I have any statistics. Certainly none run through my mind as to the number of contacts and so forth. I do know that members drop in. I know that the person we have on duty does do work as an investigator as well as the work here, primarily in the WCB field, and primarily on the cases members are very interested in.

It is not solely an inquiry office, as it were, that we have. That person actually does investigative work and does work on files. I think Mr. Singleton has 14 investigative files right now, if my memory serves me right. He says that is right.

Mr. Lawlor: Have you been able to bring your times down? You gave a résumé of the ancient files, but what are your time lapses now, basically?

Hon. Mr. Morand: I have not read a survey on that since our last one on which you have a report. I do know it will be longer in the next report because those are on the basis of closed cases. I do not know whether you were here when I recorded that; I think you were.

We closed 508 cases in the last year. In the first six months of this year, we closed 574. Since those were long cases, our per-case time is going to extend solely because we closed twice as many old files. But it should show up the

following year because we will not have as many old ones then. They will have been completed.

Mr. Lawlor: There had been a good deal of talk with your predecessor about changes, amendments to the Ombudsman's Act, particularly the business which is a bit grating and has arisen in the Cayuga matter in an aggravated way, about your freedom to issue reports, et cetera, make them available to people other than those directly concerned—that is, the complainant himself and those people under fire. What is the status of all that?

Hon. Mr. Morand: I have on my desk, and I have not had a chance to peruse it as yet—it is right on the top of my desk, and it will be the first thing I will be doing when I leave here—a very thick pile of papers prepared by the office for the amendments to our act that we are proposing to the Attorney General (Mr. McMurtry). While I have discussed many of them, I have not gone over them in detail, in total, when they are put together.

That is the next item of business on my agenda, to go over them. If I agree all the way down the line, they will then be put to the Attorney General as matters we would like to have changed in our act. Many of them are housekeeping items. They are small things. But some of them are matters of greater import.

11:10 a.m.

There is probably a misconception, certainly among some people any way, as to the status of our office in making matters public. As you know, Mr. Lawlor, we have an oath of secrecy and we cannot make things public except through our annual report. That is the only way we have of doing it.

There is good reason for that oath of secrecy. If we had the power to go public and name names and so forth, we might well never get a lot of complaints. The question is, should there be some degree of discretion in the Ombudsman to go public, as it were, before he reports on a case that cries out for it? Should he report and name names and places and dates to the select committee?

Some time before I came on the job, there was criticism of the office for naming a name, as you remember, in one case. It is not an easy question to be answered. It is a question of whether the public and the Legislature are prepared to vest in the Ombudsman that discretion to go public where he thinks it is warranted, or whether it should be controlled through the select committee as it is now.

Once it goes to the select committee, it becomes public; although most of those reports

are anonymized as you know. It is not an easy question to answer. It is one that has been of concern to me.

I suppose in my egotism I say, "Surely they can trust my discretion." While I might say that, other people might not be willing to trust my discretion or to trust my successor's discretion. I leave it in the hands of the politicians and members of the Legislature.

Mr. Lawlor: What weak vessels for you to depend upon. I was speaking for you along with myself, Nick.

Just a comment; in a sense it is a trespassing upon these proceedings. Mr. Ombudsman, as chairman of the Ombudsman committee, I am getting an increasing number of complaints. This is in the cards. As the office goes on there will be more people saying that the Ombudsman has not carried out his functions adequately, or has not done this and that. In the last four or five months, there have been quite a few coming in.

Quite frankly—maybe I should not tell you my problem—I do not know what to do with it. Some consult Mr. Bell with respect to it, and sometimes they go and see other members of the committee and have a talk with them. I have been extremely careful not to come to loggerheads with your office. We deem our responsibility to be, quite the contrary, a supportive role largely, but it is becoming more of a problem now.

I suspect the best way is not to sit down quietly with you at luncheon and say, "These are five or six cases; what about them?" They are not in your reports, therefore they are not officially before us. We don't—certainly I don't—wish to make overtures to have them dredged up, so to speak, and forwarded to us. I do not know if we have that authority.

But this kind of spoiling is taking place and I want you to know about it in an official way. Somehow or other we are going to have to grapple with it. Many of these cases, when I read what I have of the correspondence back and forth, in my opinion have very little merit, but one's opinion does not matter all that much.

An objective survey would probably be better done in a group with your colleagues around you, jointly or singly, but to bring it to that level of attention could be considered, from your point of view, an affront to your office. That is the danger we are coming to.

I am extremely loath to get into the whole thing, yet writing back constantly to these people, saying, "We are not a court of appeal," repeating the old bromides, seems to be running fairly thin at this particular time.

Hon. Mr. Morand: It is probably the trend in

the world today that nobody trusts anybody any more. The minute we turn someone down, a certain percentage of them say, "You have sold out to the administrators," and so on.

We make it a policy to explain to every complainant the material we have investigated, and we send them, as you know, a complete report covering what we found out, why we are turning them down and so forth. Of course many people are not happy when we have turned them down. They think they are right, or they would not have come to us in the first place, and they are unhappy because we did not see eye to eye with them.

We also have some irate people come in and we sit them down on the other side of the desk. When we can get them to forget their ire and actually sit down and talk about it, some say when they leave, "I can understand." As a matter of fact we had one in yesterday where that happened. The day before, one called up and said he was coming down at two o'clock to let me know where I stood. I waited for him but he never showed up.

All I can say is we call them the way we see them, which is the best we can do. I know some people are still unhappy because they feel they were right; otherwise they would not have come to us; they would not have carried it through all that way.

Perhaps I could fall back upon a theory I have had for many years. In every decision there should be one appeal. There should not be more than one appeal, except in very major matters, and those should be restricted. Most people nowadays get three or four appeals and they want to keep on going. They figure, "I have had this many; maybe there is another one someplace else I can go to." I sometimes think we have gone too far and allowed too many appeals.

When I was a judge, I used to use a sample of an examination for discovery—you would probably know this, Pat. First you had an examination for discovery, where the lawyer on the other side said, "Don't answer that," and you waived a ruling by the master. Then you went to the senior master and you got a ruling from him. Then you appealed it to a single judge and got a ruling from him. Then you went to the Court of Appeal and you got a ruling from them, and if you wanted to, you could take it all the way to the Supreme Court of Canada, if they would hear you, all to get someone to answer a question that did not make any difference any way.

But the law is there. You could appeal it all the way, which is sheer stupidity. That is why I

say one appeal probably is enough in most cases.

Mr. Lawlor: The trouble with these things is there are always grains of truth in them. There is also a certain cowboy mentality that says persistence is itself a virtue, that the courageous of this earth are those who never, so to speak, give up.

Hon. Mr. Morand: That is right.

Mr. Lawlor: It is quite irrational in most of the cases. It is okay with Joan of Arc. People think they can constitute themselves as minor heroes in a particular regard. They grit their teeth in and stick to a proposition or a particular cause, usually something very self-serving—the “bigger the human being” type of nonsense. Wisdom is to know what your limitations are and to quit.

Hon. Mr. Morand: Reason goes out the window somewhere on these things.

Mr. Lawlor: Yes. They see too much television.

Hon. Mr. Morand: Pat, I can see you are not running again.

Mr. Lawlor: I am willing to sit down for a while, Rusty, if you want to go on. I have a couple more questions, but not many more.

Mr. Ruston: Go ahead. Finish.

Mr. Lawlor: These are minor matters. I am looking at your standard accounts classifications, et cetera. I see that you have a decreased cost for subsistence items like food and beverage by \$3,000.

Do you remember that particular one? It is on page 10. How did you manage to do that? That is my question.

11:20 a.m.

Hon. Mr. Morand: Probably by using a red pencil.

Mr. Lawlor: This is subsistence—food and beverages. What kind of beverages?

Hon. Mr. Morand: That probably is for our investigators going on the road. Now that we have the rural offices in the north country, we have cut down on the amount of travelling.

Mr. Ruston: Some restaurants charge a quarter for water now, Pat.

Hon. Mr. Morand: They sure do. Having recently been in Europe, I can tell you they charge a dollar for water—an American dollar too.

Mr. Lawlor: What comes out of this situation on the new lease is that, while you are getting about twice as much office space, the overall rental for that extra accommodation has actually increased.

Hon. Mr. Morand: It has increased compared to what we were paying before, but it is less than it would have been had we stayed where we are.

Mr. Lawlor: Very much less.

Hon. Mr. Morand: It is \$1.6 million less over a 10-year period.

Mr. Lawlor: There is a rent increase of \$98,800 involved in all this—this is a silly question because you will, whether you need to or not—are you going to occupy all that new space?

Hon. Mr. Morand: Yes, we are going to occupy it all. A lot of it is taken up by the fact of some 37 investigators having a private office instead of being two or three to an office. They will have extra space there. There will be extra space in the halls. Certainly we will occupy all of the space, but we will have some room for expansion.

Mr. Lawlor: You are going to have room for expansion?

Hon. Mr. Morand: Yes. We can use the halls by putting places there and by shuffling people around. I wish I could give you the exact number, but I am sure we could handle 10 or 15 extra people without any problem.

Mr. Lawlor: Would you have, say, as much as 5,000 square feet left over?

Hon. Mr. Morand: We will be using it all.

Mr. Lawlor: For storage and other things, I suppose.

Hon. Mr. Morand: Mainly for offices. We are putting in movable partitions. The movable partitions are a big chunk of our leasehold improvement expenses. Because they are movable we will be able to move around as we need more space. We will just cut down on the size of offices and so forth.

Mr. Lawlor: You have an item here of \$112,000 on a special project with the Workmen's Compensation Board. Is this regular staff that you have there?

Hon. Mr. Morand: No, this is extra contract staff. We hired six extra people to work on Workmen's Compensation Board files to get them cleared up.

Mr. Lawlor: Was it for two years, did you say?

Hon. Mr. Morand: No, this is just in this year.

Mr. Lawlor: But that project is for what period of time?

Hon. Mr. Morand: Less than one year; it ends in February of next year. We gave that group 268 files, roughly. They are supposed to have them all finished by that time. I have my doubts that they are going to, but they will certainly

have most of them cleaned up. Those that are left can be picked up and finished by regular staff at that time.

Mr. Lawlor: The second office in North Bay; I think I noticed you had someone there managing the office, but that there were two vacancies.

Hon. Mr. Morand: That is filled. Gilles Morin is in charge of it. Eric Moody, one of our old experienced investigators, is there with him, and we have a secretary-type person there. So all the spaces are filled.

I have a little bit of information on what they have done since they opened. They have had 638 no-follow-up complaints; people came in and those matters were dealt with without going into a follow-up; either they were nonjurisdictional or they were able to take care of them immediately. We opened 182 files for a total of 820 people since we opened the office; that is 820 matters since we opened the office.

Mr. Lawlor: Of course, Gilles Morin is bilingual?

Hon. Mr. Morand: Yes.

Mr. Lawlor: And in your office you have people who speak many languages?

Hon. Mr. Morand: Yes, people can speak 20 languages in the office.

Mr. Lawlor: How many people can speak French; how many are bilingual?

Hon. Mr. Morand: Not as many as we should have. You have hit upon a sore point.

I do not know how many; I have never counted them, but it is not as high as the percentage of bilingual people in the province, I can tell you that. As I say, I have looked at that aspect. In one place we were replacing a person and we tried to find a bilingual person with the qualifications but we could not. It is something we will bear in mind.

Mr. Samis: If I could interject, what type of position were you talking about for which you could not find a bilingual person?

Hon. Mr. Morand: Legal staff.

Mr. Samis: You checked around the province and even in a place like Ottawa there was no one available?

Hon. Mr. Morand: Yes, we did; we even took a person on temporarily.

Mr. Samis: What is the present situation, since you were not able to find someone?

Hon. Mr. Morand: We are still looking.

Mr. Samis: There is a unilingual person in there now, is that right?

Hon. Mr. Morand: No, not in that particular job. I do not have the office set up in such a way

that I have to have so many people speak who this language here, there or anywhere, I am looking at the overall picture of the office. When jobs come open, that will be one of the qualifications taken into consideration, not the only one but certainly one.

When we have a position open and we have a person who can fit that office who is bilingual, certainly that will be a plus as far as that person is concerned in getting the job.

Mr. Samis: Can I just get a handle on it? Where do you see your greatest need for improvement in providing French language bilingual service personnel?

Hon. Mr. Morand: I think probably in investigation. When a vacancy comes open I would like to get somebody bilingual there. As far as secretarial staff goes, we are okay, although it would not do any harm to have another one either.

Mr. Samis: When you talk about investigative, you are talking about your main office, not the field offices?

Hon. Mr. Morand: The main office. Gilles Morin is completely bilingual and the secretary up there is completely bilingual. Eric Moody is not; I guess he can get by but he is not what I would classify as bilingual. We are certainly well staffed up there as far as the percentage of bilingual staff is concerned. Two out of three are basically French-speaking, let me put it that way; they are completely bilingual but their basic language is French. I would like to see a few extra in the Toronto office.

Mr. Samis: Your real problem is in Toronto, not in the field?

Hon. Mr. Morand: It is here.

Mr. Lawlor: What is Professor Ison's role?

Hon. Mr. Morand: What is he doing? Nothing right now. We paid him a very little amount of money, as a matter of fact. His role was to advise us in dealing with the Workmen's Compensation Board on how we could improve our relationship and how we could approach them on several items.

One of the items your select committee is dealing with right now is the 42(5) section on which our office is waiting with bated breath to get your report, to see what you say, because we have many cases that fit into that category.

Mr. Epp: I have some questions with respect to the lease. I am sorry to be bringing you back to this. We have asked a number of questions this morning but no one has asked you how many square feet are in that building you are going into.

11:30 a.m.

Hon. Mr. Morand: There are 43,710 feet.

Mr. Epp: You mentioned, Mr. Morand, that you were putting in some floating or movable partitions. What about the insulation in there? It is an old building, as you indicated. Have you looked at the problem of insulation and the energy conservation and so forth?

Hon. Mr. Morand: The new builders are certainly taking that into consideration because the building is heated at their cost and it is heated through the University of Toronto steam heating system.

Mr. Epp: That bill is coming up here in the Legislature.

Hon. Mr. Morand: That is their problem, not our problem. They are rebuilding the building inside and I know they have taken that into consideration. It will be air conditioned and they will operate that as well, of course.

It is hard to describe. We are going to have a formal and official opening when we get in there to which all members will be invited. The third floor, where our investigating directorates will be, has several large rooms with skylights in the ceiling; we are running these movable partitions which will go up six feet six inches, I think, so we get the outside light as well as the internal lighting that is there. Because of these large rooms and the movable partitions it allows us to then make changes in the future as we need more space.

Mr. Epp: On another area: You spoke about the saving of somewhere between \$10,000 and probably closer to \$20,000 with respect to telephones. Maybe you would like to elaborate on that a little for the benefit of the members here. What kind of changes would bring about that kind of saving?

Hon. Mr. Morand: One very small item: Our telephone number is listed in every telephone book across the province; it is listed in both the white pages and the yellow pages. By eliminating it from the white pages and leaving it in the yellow pages, we save \$7,000 a year and it is still in every telephone book. That is \$7,000 a year right there.

We have 136 six-button telephone sets in our office. We do not need 136 six-button telephone sets. That is not being changed until we move to the new building because of changes that have to go into the switchboard and so forth, but that is going to result in another very substantial yearly saving. It is those sorts of things.

Long distance telephone calls: we take long distance telephone calls from people around the province. What we do is get the name and address and we call them back on the govern-

ment tie lines. Unless you watch very carefully, people will talk for two, three, four, five or six minutes on the initial call, on a collect bill on which we are paying through the nose, instead of calling back on the tie lines.

We have a system whereby they have to fill in a form on every one of these calls. That in itself has resulted in substantial savings. I suspect, but cannot prove and I suppose maybe I should not even say it, but it may have been that some of the long distance phone calls were not on government business. I do not know that for a fact, but anyway our phone bills are down substantially since we put in new control features.

Mr. Epp: In eliminating or reducing the number of six-button phones, how have you corrected that? Just by everybody having a phone without any buttons or having certain department secretaries with six-button phones who would channel the calls?

Hon. Mr. Morand: I will ask for a little assistance on that because the last time I had my nose into that situation we had not determined just which way we were going. Mr. McArdle, are we going to the new system?

Mr. McArdle: We investigated the new system by the Bell telephone which is called the SL-1 and weighed its advantages compared to the Centrex 2 system, which we are currently on. We found, over the long period of time, with Bell and the SL-1 we would have to sign a long-term contract which was going to be a very high additional cost. Amortized over the years, it would level down but not sufficiently that we felt it was going to give us any advantage over the current telephone system we have.

It was decided to remain with the Centrex 2 and eliminate six-button telephones for all investigators. It is not necessary for them. We did a study at the office and found they really did not require the six-button telephone.

Currently, they have to have two lines in their offices because there are two investigators, and sometimes three, in the office. As a result, it necessitated the lines in the offices. As they are moving to their own individual offices, all they require is the one line. If they have to get some additional information, they can always say to the individual, "We will phone you back." They do not need the hold button, which necessitates a six-button phone.

So we have eliminated all those. The only people who will have the six-button telephones are the Ombudsman's group, the directors, the assistant directors, and the controller's area. Other than that, everyone will have just one line.

Mr. Epp: Have you incorporated this new computerized system whereby if there is a call waiting for someone, you can hear it on the line? I have called into some offices and you can hear a short beep, when someone else has been calling in. It gives the person an opportunity to cut his conversation short rather than ramble on. He can say, "There's another call waiting." Both parties hear that.

Have you incorporated that aspect of it?

Mr. McArdle: No, we have not. That is the SL-1 system, as a matter of fact. It is ideal for a stockbroker, for a sales organization.

Mr. Epp: I have not been calling my stockbroker.

Mr. McArdle: They have implemented it in firms like that. As a matter of fact, Rothmans have put it in.

One of the side aspects to the SL-1 when we got into the investigation is that, where possible, Bell's intent is to move their equipment out of their own holding stations. In other words, in Toronto they have several areas throughout which all their switching is done. If they can move the SL into your area, it eliminates the necessity of their having the switching in their building, and it is then incorporated into your own.

It has to be climate controlled, which means it has to be in a special area. There is additional cost as far as air conditioning and climate control is concerned. If there is a breakdown on it, as it is a computer system, they have to come in and work primarily in your area. They cannot bypass as they can in the switching.

We live on the telephone quite considerably in our office and felt that it was just a little bit too costly. It did not give us any advantages over what we currently have. We projected this over a five- or 10-year period of time.

As Mr. Morand mentioned earlier, if we do run into difficulty, there are independent telephone people who can supply from the line. In other words, all Bell has to do is bring the line to your building and these people can take over. We are also investigating that in case there are advantages they can put in, in the next two or three years.

We recognize there will be our initial cost of installation with Bell now, but everything is projected as to a five- and 10-year period. If we can spend \$5,000 or \$10,000 now and save ourselves \$20,000 over three or four years, then to us it is well worth it. So we are also looking at that.

Hon. Mr. Morand: Our present decision was that the SL would not save us anything and with

a Centrex, by cutting out the push buttons, we could save money.

Mr. Epp: Could I ask Mr. Morand one question? Why did you choose to show the listing in the yellow pages rather than in the white pages?

My own reaction is that it should have been in the white pages, together with the government. People would be looking you up as an arm of the government because you are really responsible to the Legislature. But if I were looking for the Ombudsman's office, I would probably be looking in the white pages. In fact, I am not sure I would look in the yellow pages at all.

11:40 a.m.

Hon. Mr. Morand: Am I right or wrong on that?

Mr. McArdle: It is actually in the white pages. We eliminated an additional cost in the Bell telephone listings because throughout the province there are multiple books. For example, the Barrie book carries Barrie, Collingwood, Perkinsfield, et cetera. We were formerly listed in each one of these areas.

We have also been able to arrange that it is in the blue government index in the book.

We were able to work it out with the government and Bell to eliminate all these multiple listings, putting it in the main section of the book, which in the example mentioned would be Barrie, and then list in the blue pages, under O for Ombudsman, "See Barrie, page such and such." So someone in the Perkinsfield or Collingwood area would look for it in the government pages, which is the blue section, and see the reference to the Barrie section.

We have saved somewhere around \$7,000. Our cost is reduced from about \$8,200 to about \$385 by doing this.

Mr. Lawlor: Since the floor space rental area is being increased, your maintenance costs are bound to be greater now. Will they be considerably greater?

Hon. Mr. Morand: No. The one item that might cost us more is security. That is the only item.

We have not decided yet where we are going on security. There are many different proposals. There is campus security, the regular city police, and there are alarm systems. There is keeping somebody in the building overnight; there are all kinds of different systems. We are getting quotes on all kinds of things and we are going to sit down and make a decision on how much security we need and what is it going to cost us. That is the only item I can see that will go up.

Mr. Lawlor: In the lease, is there a division of responsibility with respect to maintenance?

Hon. Mr. Morand: Yes. We do the minor jobs, and they do the major. I think that's fair. We do the same as we would be responsible for in the office building we are in right now.

Mr. Lawlor: Except that the present building is far newer.

Hon. Mr. Morand: Yes, but in the building we are moving into, the Lillian Massey building, they are spending somewhere between \$1.5 million and \$2 million on inside work.

Mr. Lawlor: Just to comment on that building, that is where Judy LaMarsh learned to cook.

Hon. Mr. Morand: Is it? I should know that.

Mr. Lawlor: She had a special carrot cake.

Hon. Mr. Morand: We thought in moving there we might choose to be a little bit romantic. We thought of inviting the last graduating class to our opening.

Mr. Eakins: I am sure the question of parking has been well covered. Is there sufficient parking for staff? What about the accommodation for public parking? Will there be accommodation for them?

Hon. Mr. Morand: There will be 15 spaces at the back, where there is a parking lot. We find that most of our staff take public transportation, rather than bring their own cars. This is one of the pluses of the place. We are at the crossing of the north-south and east-west subway lines. It is going to be very handy for people to get to.

Our experience has been that not too many people bring their cars down when they visit us. Most of them use public transit.

Mr. Eakins: Will this mean a reduction in the number of cars you lease or operate under the Ombudsman?

Hon. Mr. Morand: We already have cut down. In the Toronto office we have only six cars now. We have leased four and we still own two. There is an added saving in that the parking spaces were thrown in free. At the present time we are paying \$5,400 a year extra for our parking spaces.

The Vice-Chairman: Are there any more questions from the members?

Mr. Lawlor: Yes, I have a few more.

The Vice-Chairman: You have another 15 minutes to do it in.

Mr. Lawlor: I will be finished; don't worry. I have to be out of here this afternoon too.

The office started out at about \$2.8 million or \$3 million, which some members found—

Hon. Mr. Morand: Exorbitant?

Mr. Lawlor: —questionable. At the moment it is \$4.75 million. Are you pressed for funds?

Hon. Mr. Morand: You didn't expect an answer. I'll say no, we are not pressed for funds.

Mr. Lawlor: This is basically what you asked for and you got it and you can work comfortably within it.

Hon. Mr. Morand: Comfortably, and we are saving money.

All right, I'll blow my own horn. Our increases since I took over, with this one exception of the new leasehold improvements, have been less than the increase in salaries by reason of the cost of living bonus. In other words, excluding those special items for moving into the new building, we have cut money each year. We are actually spending less money now than we were two years ago.

Mr. Lawlor: Just two other questions. One has to do with jurisdiction. You are sufficiently insightful now and have laid down the system sufficiently, I would think at this stage, so that when a case comes in, you would know whether it is within your power or not.

Hon. Mr. Morand: I wish I could say that clearly. There are still cases which cause us all kinds of problems. It is a constant battle. You think you have covered every particular case and then something new comes up.

We have, as you know, gone to court. I am pleased to say that we have won every court battle we have had on jurisdiction. We still have troublesome cases that have to go to our legal department.

There are still two or three places where we are not sure of jurisdiction. My attitude is I am not going to take it to court because I am afraid I would lose. I work along with the powers that be and if they let me investigate, fine. If they don't, it is too bad. But rather than take it to court and lose—I am being brutally honest—and then have no power of investigation in those cases, I think it is better just to ride along.

Mr. Lawlor: Yes. That was my next question. Have you any cases pending at present?

Hon. Mr. Morand: No. We just got a decision on the last one that was successful. We have no court cases pending at all.

Mr. Lawlor: Those are my questions. Thank you, Mr. Chairman.

Vote 1201 agreed to.

Mr. Chairman: This completes the study of the estimates of the Office of the Ombudsman.

The committee adjourned at 11:47 a.m.

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From the Office of the Ombudsman:

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Mills, A., Controller
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No. G-8

Legislature of Ontario Debates

Official Report (Hansard)

Standing Committee on General Government

Estimates, Ministry of Treasury and Economics



Fourth Session, 31st Parliament

Wednesday, November 26, 1980

Morning Sitting

Speaker: Honourable John E. Stokes

Clerk: Roderick Lewis, QC

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LEGISLATURE OF ONTARIO

STANDING COMMITTEE ON GENERAL GOVERNMENT

WEDNESDAY, NOVEMBER 26, 1980

The committee met at 10:16 a.m. in room 228.

ESTIMATES, MINISTRY OF TREASURY AND ECONOMICS

(continued)

Mr. Chairman: I see a quorum. I have good news for committee members present. With great interest, and I don't want you to jump for joy, this committee will be meeting on Monday night, December 1, to consider a private bill, or maybe two. I can see that you are overwhelmed and that you will be relating that back to your appropriate caucuses. We will meet again for these estimates next Wednesday.

One other little tidbit: because your chairman is in such popular demand, again I remind you that the select committee on plant shutdowns is also operating and when an appropriate person shows up to take the chair, I would like to touch base in there now and again so that I have a continuing cohesiveness as to what is taking place in that committee.

Mr. Peterson: You have to show up for at least five minutes to get your indemnity.

Mr. Chairman: We don't get paid. You know that. Come on.

Mr. Laughren: You get paid extra for being chairman of this committee.

Mr. Chairman: I know, but isn't plant shutdowns important to you, as critic for the NDP? Are you not concerned about plant shutdowns?

Mr. Laughren: Sam, as a government member, you have to live with those extra emoluments.

Mr. Chairman: I will report back to Elie Martel that you are not too interested in plant shutdowns.

Next on the list—

Clerk of the Committee: There was a general discussion.

Mr. Chairman: Is that where we were? Was the Treasurer generally discussing?

Hon. F. S. Miller: No, we were responding to points brought up by the opposition.

Mr. Peterson: With your permission, I could see my way clear to finishing up tonight, if the Treasurer wants to, or if Floyd wants to, but,

unfortunately, I have to leave at noon today. I will let Floyd make the decision whether we meet next Wednesday or not. Is that fair enough? Shall we will leave it with you to make the decision later on today?

Hon. F. S. Miller: As to whether we carry on today or meet next Wednesday?

Mr. Laughren: All right.

10:20 a.m.

Mr. Peterson: It is a big responsibility. If you make a good decision, we will give you a bigger responsibility next time.

Mr. Laughren: I don't miss the kind and quality of problems you throw to me, you know; these kinds of decision-making problems.

Mr. Chairman: We will continue until 12:30 and resume at two until whenever.

Mr. Peterson: I want to ask the Treasurer a few questions. Who is your syndicate now for the financing for the province of Ontario?

Hon. F. S. Miller: I could not, from memory, repeat the members of the syndicate.

Mr. Peterson: Maybe George can. I would like to know.

Hon. F. S. Miller: There are quite a few of them. I can tell you who the advisers to the syndicate are.

Mr. Peterson: Who are they?

Hon. F. S. Miller: Wood Gundy, McLeod Young Weir, and Salomon Brothers.

Mr. Peterson: How do you select those guys?

Hon. F. S. Miller: I think, at this point, I would ask George to answer that since they were selected before I was Treasurer. I would base it on performance, size, the research capabilities, and the quality of the advice.

Mr. Peterson: But how do you quantify that?

Hon. F. S. Miller: Some things are quantifiable. We have measurable statistics on the percentage of any particular market that each company sells—on any given issue, I would say, that the company sells—on their ability to handle the secondary market, primary market and so on. But George is much more competent in this.

Mr. Peterson: You are the contact man. You are the one who deals with these matters.

Mr. McIntyre: Yes.

Mr. Peterson: Do you see them, Mr. Treasurer?

Hon. F. S. Miller: Yes, I meet with them. I do not meet with the syndicate per se. I may have once, early on.

Mr. McIntyre: The Treasurer and I had a meeting with the syndicate downtown on one occasion.

Hon. F. S. Miller: That was early in my career, just simply to meet the people.

Mr. McIntyre: And you went over to New York, sir, and had a meeting with the Canadian component of the syndicate over there—the Canadian firms in New York.

Mr. Peterson: Who are they and in what proportions do they pick up the various pieces?

Mr. McIntyre: I will have to get the list so I can give it to you specifically. Do you want the Canadian syndicate?

Mr. Peterson: I want to know who they are. I want to know the individuals, who the advisers are and what pieces they get. And I want to know what they get paid. I want to know why that has changed in the last five years.

Mr. Chairman: Let's make it a little formal and have you both introduce yourselves so we will have it in Hansard.

Mr. McIntyre: George McIntyre.

Mr. McColl: Donald McColl.

Hon. F. S. Miller: There is going to be one issue here that we will have to determine whether it is or isn't possible to reveal; that is, even within the syndicate, the percentages are not known to the members. Are you aware of that?

Mr. Peterson: Percentages of what?

Hon. F. S. Miller: Of the underwriting that they subscribe to. In other words, there is a declining order of percentage that each one underwrites in the offering. Is that correct, George?

Mr. McIntyre: Yes, sir.

Hon. F. S. Miller: The order is shown each time an offering is made to the public. We put out our "tombstone," as it is called, and the names of all members of the underwriting group are on the tombstone in order of their relative share, so that one can take a look at the order and know who has the greatest share and so on. If the shares are equal, I would think the order would be alphabetical.

Mr. McIntyre: That's right.

Hon. F. S. Miller: Within government, I would say probably only the three advisers and the government itself are aware of the actual percentage that any member has. The members are not aware of the other members' shares.

Mr. Peterson: Why is that? I am curious.

Mr. McColl: If I may, Mr. Treasurer, the philosophy is that the borrower appoints the management, and the management then forms a group which takes the underwriting liability. It is the responsibility of the managers of the group to adjust positions and assess performance.

Mr. Peterson: Who are the managers?

Mr. McColl: In the Canadian sense, Wood Gundy, and McLeod, are co-managers of a syndicate which operates for the total Ontario credit, which would include Ontario Hydro.

Mr. Peterson: Which is basically all they do. You don't borrow anything for the account of the province of Ontario.

Mr. McIntyre: Actually, Ontario Hydro goes to the market in Canada directly, with our guarantee.

Mr. Peterson: Right. So, really all these guys work for is Hydro in fact.

Mr. McIntyre: They work for Hydro with the lead manager being McLeod Young Weir in this case, because McLeod is the Ontario Hydro lead manager and Wood Gundy is second. If the government goes to the marketplace, Wood Gundy is the initial manager and McLeod Young Weir is in second place. We rotate them but we classify the two firms as co-managers in Canada.

Mr. Peterson: Who calls the shots when you go to the market in a particular week? You are looking at the rates in New York and all, and decide to put the final price on it. Who does that?

Mr. McIntyre: It is Ontario Hydro, if they are going to the marketplace. They would inform us, we hope well in advance, that they would like to go the US market and we report this to the Treasurer. The Treasurer and deputy concur that this is an approach which should be taken. Because we are the guarantors of the issue, we have to feel comfortable with the market.

Mr. Peterson: It is just so unfair. The only borrowing you do in the public market is for Hydro.

Hon. F. S. Miller: Currently.

Mr. Peterson: Currently. And you haven't done it since 1975, as I recall, when you only needed about \$100 million or \$200 million—it

was not very much even then relative to the size of the internal borrowing. So for all intents and purposes, the province of Ontario is not in the business.

Mr. McColl: However, the province of Ontario is the guarantor of Hydro.

Mr. Peterson: I understand that. But who calls the shots when you go to the market, Hydro or you? For example, if they say, "We want \$300 million about the beginning of February," you have two or three weeks to fudge around, depending on the interest rates and the behaviour of the market. Who calls, saying, "We are going February 6"?

Mr. McIntyre: Ontario Hydro calls that timing sequence.

Mr. Peterson: They do?

Mr. McIntyre: Yes, they do. They are accountable for the pricing as well.

Mr. Peterson: Who is the ultimate authority for that? Would it be the board, the president of the Hydro board?

Mr. McIntyre: It is the board. They have a finance committee that the Treasurer reports to.

Mr. Peterson: How are you involved in this?

Mr. McIntyre: We are not involved other than they must receive the concurrence of the Ontario government that we are going to guarantee the issue. So we must assent that indeed that is the time to go.

Hon. F. S. Miller: That is the real strength the government has in that concurrence is required. It should not be assumed to be automatic. Therefore since it should not be assumed to be automatic, we have the right to give advice to Hydro.

Mr. Peterson: Or ultimately yank it down.

Hon. F. S. Miller: Yes.

Mr. Peterson: You did that, in 1976, I think?

Hon. F. S. Miller: I think that has been clearly established.

Mr. Peterson: But you cut them down a billion dollars or so, didn't you, in 1976?

Hon. F. S. Miller: We have that right to question, to advise, to discuss. I would say within the last year, thanks to Mr. Macaulay and to my staff, the degree of communication has improved dramatically.

Mr. Peterson: Why is that?

Hon. F. S. Miller: One could read the various acts, which would, in some people's interpretation, seem to say that they would really make their decision over there, come to us and say: "Please pass this for us. It is a fait accompli."

Because we are the guarantors and because the government, in my opinion, has to be the ultimate responsible body, I was not prepared to see it that loose that we were coming in at the tail end of a discussion. I felt that we should be aware of the process and be in agreement with what was happening.

Mr. Peterson: Who is that lead syndicate now—McLeod, Wood Gundy and Salomon Brothers?

Mr. McIntyre: McLeod leads the Ontario Hydro syndicate.

Mr. Peterson: Which is the only syndicate you have.

Mr. McIntyre: It is the only one we are using at the present time; although if we wanted to use it the other way, it would be the same syndicate, only we would have a different lead manager in Canada—that's if the government wanted to use that syndicate.

Mr. Peterson: You could easily whip it into shape. You can pull it off the shelf. Who is the key player there?

Mr. McIntyre: The key player in—

Mr. Peterson: At McLeod.

Mr. McIntyre: Bryson Farrill, who is vice-chairman of McLeod Young Weir.

Mr. Peterson: Who is Wood Gundy's lead?

Mr. McIntyre: The one who we deal with quite extensively is Peter Campbell. He is a vice-president of Wood Gundy.

Mr. Peterson: Do you need the US firm on that syndicate?

Mr. McIntyre: On our Canadian firm?

Mr. Peterson: Yes.

Mr. McIntyre: No. In fact, you cannot have a US firm on—

Mr. Peterson: You have Salomon Brothers, what do they do?

Mr. McIntyre: Salomon Brothers plays a role with us on a quarterly fiscal planners' group we have. It meets every three months.

We discuss our fiscal plans for the year with our fiscal planning group. We bring Salomon Brothers in because of the major borrowing we do in the US.

10:30 a.m.

Mr. Peterson: That is a total fiscal planning, including Hydro's debt structure?

Mr. McIntyre: That's right. It is a fiscal planning unit and we meet on a quarterly basis. The Treasurer and deputy come to the meetings and listen to the strategy of the Hydro plans, and we conceptually agree with what they would like to do, to a point, for the next quarter.

It rolls forward for a whole year. We have a rolling 12-month experience so we can have a feel for where they are going, what their capital construction program looks like and how it is moving.

Mr. Peterson: You decide whether you can handle it or not and try to project what the market will be.

Hon. F. S. Miller: Sometimes things don't go as planned. I guess the latest American attempt at an issue was a good example. Was \$300 million the issue?

Mr. McIntyre: They were going for a maximum of possibly \$400 million. That was the upper limit.

Hon. F. S. Miller: You understand the American regulations require filing an advance prospectus—whatever one would call it—of information, which is not required, I guess, in the Canadian market to the same degree.

Mr. Peterson: I learn more from those prospectuses than I do from any other piece of information you guys have.

Hon. F. S. Miller: They are very, very thorough.

Mr. Peterson: They are very detailed. They really give you an insight.

Hon. F. S. Miller: They are very useful.

Mr. Peterson: They force you guys to tell the truth, which is nice.

Hon. F. S. Miller: I have never been forced to tell the truth.

Mr. McColl: To answer your question, Salomon are the lead managers of the US syndicate.

Mr. Peterson: They all have New York offices, Wood Gundy, Ames and those guys. Why don't you use them?

Mr. McColl: Wood Gundy and McLeod Young Weir are co-managers of that US syndicate.

Mr. Peterson: Do you have to have a US firm involved?

Mr. McIntyre: Yes, I would say we do.

Hon. F. S. Miller: We have helped the Canadian presence in the States through this technique, at a time when perhaps it would not have been as well received, had we not virtually insisted upon their being involved in that role in the States. We felt that was important because we wanted to strengthen the Canadian firms in other markets.

That is just as true of Wood Gundy, I guess, in Europe, where they function. One of the ways one can add credibility, strength and so on to Canadian-based investment houses is to support them in those areas by requiring that banks, et

cetera, accept them. Traditionally they may not; they may wish to bring in American partners or deal with their normal allies.

Mr. Peterson: What happened to Ames? They used to be a lead in a syndicate, didn't they?

Mr. McColl: They are a senior member of our syndicate in the United States as well as here in Canada.

Hon. F. S. Miller: What do you mean, "what happened" to them?

Mr. Peterson: I thought they were a lead—

Hon. F. S. Miller: No, they were never a lead manager. They were number one on the list, they were at the head of the companies on the tombstone.

Alphabetically, A. E. Ames as first, followed by Burns Fry. That indicated that they were at least equal to Burns Fry, or ahead of Burns Fry, in terms of their share of the underwriting.

Mr. Peterson: How do you determine the shares of the underwriting among all these various firms? Do they bid on it? Do they say, "I will take \$50 million," or, "I will take \$20 million"? How do they do it? I understand the others don't know, and I am not asking you to tell me what you don't tell them, but who determines who picks up how much?

Mr. McIntyre: This goes back in history. In fact, we were trying to guess when Wood Gundy and McLeod Young Weir might have been appointed for the first time. I think it goes back to the 1930s and that they have been the managers of the Ontario syndicate for that period of time. I think it has evolved over that time.

When we came into the civil service, certain members of the syndicate had relevant percentages of participation. Ontario Hydro usually goes to a Canadian market approximately five times a year, and with that amount of experience of knowing how their selling activities and participation has been on those issues, we are able to judge fairly well their performance, to the point of trying to give them certain rewards or no rewards.

I could tell you it has been our emphasis in the syndicate to try to bring up the middle and lower groups closer to the top and to leave the top members static for quite a period of time.

Mr. Peterson: In a theoretical \$100 million issue, what is your brokerage? What does it cost you, about five per cent?

Mr. McColl: One per cent, or seven eighths of one per cent. Every \$300 million issue costs \$3 million—

Mr. Peterson: How is that divided up between your syndicate managers and the other groups?

Mr. McColl: Each syndicate has a management group which receives a very small management fee for services to that group—for running the books, sending wires, all the out-of-pocket expenses.

Mr. Peterson: How much is that management fee?

Mr. McColl: I think it is a dime—one tenth of one per cent.

Mr. Peterson: A dime per bond?

Mr. McColl: I don't want to confuse you. If it is one per cent total gross commission, they get one tenth of one per cent for that. The balance is divided up between underwriting fees, which are spread across the entire syndicate, plus a selling concession, all coming out of that.

It varies with each issue, depending on whether it is a short or a long issue, or the market conditions, and is determined by the manager. It is generally three eighths of one per cent as underwriting fee, and the balance for selling the bonds.

Mr. Peterson: I did a calculation one time in a budget response—you may or may not recall—and I have never had any response from you fellows on it officially. My figures could be out, but if we had to ante up all the potential exchange losses—which obviously we don't, because that is all term money, but let us assume we did. We took a calculation of the exchange rate the day it was borrowed, compared the exchange rates when we did that analysis, and there was something like a potential \$940 million exchange loss.

Hon. F. S. Miller: You are talking American dollars as well? Was it anything but a Canadian denominated bond?

Mr. Peterson: I am talking about all the stuff flowing through New York. And that is excluding the loss on the marks, which is another story.

Hon. F. S. Miller: I wanted to separate dollars from other hard currencies like the deutsche mark and Swiss franc.

Mr. Peterson: I am just talking about the Hydro placements in New York over, I think, the last decade.

Hon. F. S. Miller: I would not argue that you could on a set of assumptions come to that kind of conclusion. I have only attended one pricing in New York and that was on February 14, 1979.

Mr. Peterson: You went down just after you became Treasurer, as I recall.

Hon. F. S. Miller: It was some six months afterwards, and that day we issued a \$300 million bond issue at 9.825 per cent, I believe. I

think the Canadian dollar, at that point, was somewhere around a low 84 or 83.9—in that range.

That was the question I brought up: what are the currency risks in this placement? Because at that time, one could say the Canadian market had enough available money in that year to supply Hydro's cash borrowing requirements in the Canadian market alone.

The question then was, why would you go to an American market if your home market currently has the money available?

There were two reasons given. First, the fact that a market in one year can sustain your total borrowing doesn't mean you should vacate a normal market where you have a presence, because you can't get in and out unless you are a steady borrower and are trusted, and have the normal connections within that market. Second, the interest rates in the American market at that point were considerably lower than the Canadian interest rates. I couldn't tell you the exact point spread, but it might have been 150 to 200 basis points. Is that right, George?

Mr. McIntyre: Traditionally it is about 100.

Mr. Peterson: That is not the case today, though.

Mr. McIntyre: No.

Hon. F. S. Miller: It was on that day. We were making a business decision based upon a rough split of about half and half in that year.

Mr. Peterson: You were playing your currency risk off against the lower interest rate.

Hon. F. S. Miller: So, at this point I asked the question, "With the current differential between the Canadian market"—which was 10 point something that day; it strikes me it was 10.8 or 10.9 per cent—"and the American market, how much does the Canadian dollar have to fall before we have wiped out the advantage we have on interest alone?" Bear in mind every basis point was worth \$900,000 over a 30-year term.

10:40 a.m.

Mr. Peterson: That is \$900,000 over 30 years, \$30,000 a year.

Hon. F. S. Miller: I had better do my arithmetic accurately before you take that. I did the arithmetic at the time. I will not try to say that is right, that is the figure I recall.

Mr. McIntyre: Three hundred million times 30 years, is nine.

Hon. F. S. Miller: I think it worked out to \$900,000 per basis point. Therefore, if you had 100 basis points difference you had a very large potential saving to the interest payer. At that point the figure was something like a 78 cent dollar that was the break even. I will not swear

that was the exact figure, but it was very close to a 78 cent dollar that would still permit us to have at least broken even in that currency.

If you then take the historical relationship of the Canadian dollar to the American dollar over a long period of time and agree that we go both to premium and a reduced value, on average—it does not mean it is going to keep on happening but historically it has happened—the odds were probably in our favour that the dollar would strengthen, and it has, even though it is still relatively weak, relative to that point. Instead of having a downside risk your risks were more likely on the upside; not only did you have an interest rate saving, you had a capital or a currency appreciation potential that was more in your favour than against you historically.

I think that was basically the picture.

Mr. Peterson: That being said, all the facts in, I am not saying that was not the proper decision at the time given the known facts, but the reality is at the current time. If you accept my figures and you may not, you would agree with me that we are running potential exchange losses. We calculate the exchange rate on the day of the placement, but we are in a potential loss of close to \$1 billion if we had to ante up today.

Most people I know, looking at the Canadian dollar, say it will never go back to parity again; it would just wipe out our manufacturing sector. The feds will do everything they can to keep the dollar below 90 and preferably in the 85 to 87 range. You could disagree with me, but that is the conventional wisdom at the current time.

Over a decade that is a hell of a lot of money; \$1 billion worth of exchange lost. That is excluding the mark losses, which we will have to eat.

If you are disagreeing with any of my premises, please tell me, I am here to be educated by your pros.

This leads me to conclude that now, particularly since interest rates are lower in Canada, you have to look at the Canadian market. Or you have to resurrect the old Ontario bond or guaranteed Ontario Hydro bond in Ontario. I would like your opinion on that.

Hon. F. S. Miller: I will let the experts discuss the pros and cons of your conclusion. I thought I had answered it. I would never try to argue that you are wrong, because your assumption that the Canadian dollar is not going to strengthen may be correct, but you have made a large assumption in that process.

Mr. Peterson: But if you think the other way, you are playing the—

Hon. F. S. Miller: Let me change the market, though. I listen to our advisers and I guess the

bond market, particularly this current year, has never undergone such a traumatic change. Is that correct?

Mr. Peterson: There have been violent swings; there have been three or four or five.

Hon. F. S. Miller: Not just swings, but the availability of money under terms at which we would normally borrow it.

In 1979 we were making a selection on 30-year, et cetera, bonds based upon our choice of market and the best buy around. I think sometimes our advisers today would say those are no longer the criteria you can use. The criterion is: can you get money at all and where for anything but very short term borrowing?

Mr. Peterson: Just a minute. We are running record savings rates in Canada, 11 or 12 per cent, it is staggering by historical terms.

Hon. F. S. Miller: Yes, but people are not necessarily willing to loan it under the terms we are talking about. That's what we are arguing about. It was not the availability of money, but will people be investing the kinds of instruments we have traditionally used to finance our dollar.

Mr. Peterson: You are right, Frank. You are right in the sense that there are a lot of people who would question the efficacy—I mean maybe the whole General Agreement on Tariffs and Trade markets are dead, defunct, gone because—but that varies from week to week, month to month, year to year. I happen to play the bond market so I know a little bit about it.

Hon. F. S. Miller: I have never had any money to do that.

Mr. Peterson: Well, that's your problem; if you worked hard you would.

But all that being said, it looks to me if you are doing a placement tomorrow morning, you are better off in Canada, not subjecting yourself to the system of the currency price. Are you telling me there isn't enough dough in Canada to dole out the \$300 million or whatever your next goal is?

Mr. McIntyre: The only borrowings we have done this year have been in Canada. We have not had any borrowings in the United States at all.

Mr. Peterson: Is your current choice then to stay here?

Mr. McIntyre: I would guesstimate that, but I guess we are still keeping that shelf registration in the States. The registration costs some money. We want to be able to use that some time in the future.

Mr. Peterson: You can move faster I guess?

Mr. McIntyre: We can move quickly and the

new system in the States with the Security Exchange Commission has now evolved to the point where you can put a shelf registration in at the first of your fiscal year for say, \$800 million or something in that order, and during the year you can go and use that initial registration, plus a slight update, and quickly move within 24 hours to the marketplace.

Before, you used to take a couple of weeks to go through the SEC investigation and analysis of your original prospectus.

Mr. Peterson: How much have you moved in Canada this year?

Mr. McIntyre: I would guess about \$750 million.

Mr. Peterson: When did that go?

Mr. McIntyre: We have done three issues in Canada, and we also had the \$500 million Canada pension plan transfer that was in the budget to be made to Ontario Hydro. So approximately \$1.35 billion I believe is the total borrowings to date.

Mr. Peterson: I'm just talking about the public issues—I'll get to the Canada pension plan as well.

Mr. McIntyre: It would be around \$800 million or \$850 million.

Mr. Peterson: Did you have any trouble placing that?

Mr. McColl: If I could talk to that question of capital availability for just one moment, the internal studies went back and traced our traditional share in the Canadian market and made assumptions of what is a prudent amount of penetration you can make into a market without distorting the spreads you have with other borrowers. The studies suggest the amount available in Canada in long-term money for Hydro and the province, should it need it, is roughly about \$1 billion and is growing at about \$200 million a year as the general portfolio.

Mr. Peterson: A billion a year or a billion total holdings?

Mr. McColl: A billion a year, growing at about a rate of \$200 million a year, which is about the growth of the total portfolio pot, if I can put it that way. So if you have a Hydro program that is roughly \$2 billion a year, there is some dependency and vulnerability in that you require other markets. That is the bottom line.

Mr. Peterson: Wouldn't that be a recent phenomenon? I mean it's a function of the last year or two, am I right?

Mr. McColl: Yes.

Mr. Peterson: For the several years previously you were on the US market.

Mr. McColl: No, not at all.

Mr. McIntyre: Our prime objective is to borrow as much as we can without damaging the Canadian market in Canada. That is the prime rationale. You have no foreign exchange problems.

Mr. Peterson: How much was it last year and the year before?

Mr. McIntyre: Always the same. Our first approach is, so much in Canada, so much in the US market, and if we need to top it up, we will go to the Euro-dollar US market for the remainder.

Mr. Dick: Mr. Chairman, if I might interject, the only thing that has not been mentioned has to me always been very important. That is, because of the capital needs of Ontario Hydro, to my mind one of the real and the most pungent reasons for going to the US market is to leave more of the Canadian market free for the Canadian people, firms, et cetera, that will require financing.

The province is a prime credit in the United States and therefore borrows at the best rate, and it borrows usually in the long-term market, if that market becomes available. In that way, we are in a much better position, as a borrower, to be able to borrow intelligently, with respect to both fluctuations and the exchange rates and interest rates, because of the longer term. That is much more so for us than it is, say, for a corporate borrower.

Second, of course, as George has mentioned, is the capacity of the Canadian market. If we, for whatever reasons, borrowed more heavily here, we would be taking a greater portion of the market which might otherwise be available. As, of course, we have all looked towards the future, the amount of capital investment that will have to take place, it has been a basic part of our policy to distribute our borrowing in other markets and, in so far as it is prudent, leave as much available for the Canadian borrower on the Canadian market, where it would probably be their preference and easier for them to obtain capital.

10:50 a.m.

Mr. Chairman: David, I was just wondering, this is an area that has often interested me too, and from what I gather now, it is not a black and white situation in terms of the US-Canadian dollar. Is that how you are perceiving it? To me now, with the input, it looks as if it is a combination of variables.

Mr. Peterson: That is true and obviously there is a pile of judgement factors in this business. You know, you have to make a decision on a Monday whether you are going to go that afternoon or the next morning, and the market can run away on you, one way or the other. You can end up in a hell of a situation.

Hon. F. S. Miller: One of the things you realize is how much, let's say, knowledge and skill is vested in your prime advisers—

Mr. Peterson: I understand all that.

Hon. F. S. Miller:—and how their knowledge of or contact with the market tells them when funds are available.

Now I am not sure what their techniques are, but these so-called windows, or whatever they want to call them, open up and close almost as fast as one can blink an eye. The great advantage of the Canadian market is the speed with which you can move into it, as opposed to the American market where you have to set up all these signals well in advance and have your—due compliance is it, or—

Mr. McIntyre: Due diligence meeting with the underwriting syndicate in which they have an opportunity to quiz the senior officials of the province and Hydro on the prospectus. And it is their chance to publicly expose any concerns they have before they accept and buy the issue themselves.

As you know, the syndicate takes the liability on and they are liable for the selling of that issue.

Mr. Peterson: For those reasons, there was some concern in 1976 as I recall, that Ontario's triple-A rating was in some jeopardy. They came up here, Moody's or Standard and Poor or someone came up here and looked around and they looked a little further into Hydro I gather. Am I wrong?

Mr. McColl: Yes, I believe you are.

Mr. Peterson: I am wrong. What happened?

Mr. McColl: I have been intimately involved with the rating agencies. I don't recall them ever expressing that kind of concern, other than the normal type of concern they have in examining any borrower.

Mr. Peterson: How often does Moody's or Standard and Poor come up here?

Mr. McColl: I would say about annually, but we are down there more often than they are up here. For example, we had contact with them immediately after the recent economic statement by the Treasurer to brief them on the content of it and what it would mean to us. That type of dialogue is continuous.

Mr. McIntyre: It is our style to make sure they know as much as possible about the province, good or bad, so there are no surprises with the rating houses.

Mr. Dick: Mr. Chairman, the one time I remember anything that was unusual, it might have been about that time, was that Moody's was the first of the agencies to provide us with

the triple-A rating. Standard and Poor came up subsequently and had meetings, but that was for the purposes of increasing our rating to triple A in their agency.

Mr. Peterson: Well, I remember and I can't recall specifically, there was some talk in the wake of the 1975 budget, which we all admit in retrospect was a great aberration. Do I see any nods?

Hon. F. S. Miller: One thing I recall as a politician at that time—I guess I was Minister of Health, and one of the prime spenders of government money—was that predictions were made that if we did not change the rate of growth of the 1974-75 budget, which was something like a 25 per cent year-over-year change, we would lose those credit ratings and therefore the Treasurer of the day came in and made a set of recommendations that fiscal policy had to reduce our dependence upon the borrowing for Ontario, and in effect the constraint program began.

It was based upon a projection of what would happen if we did not lower our dependence upon borrowed funds. And that was, I recall, a very clear presentation made by Treasury at that point, lumping Hydro's cash requirements in with the potential cash requirements of Ontario and showing that the marketplace could not provide those moneys, therefore Ontario would need to come forward with a program of eventually balancing its budget, et cetera.

Mr. Peterson: It is my recollection that McKeough at that point—I think it was at the same time—lopped about \$1 billion off the long-term Hydro program, saying, "We just cannot afford it and that's it." It turned out in retrospect to have been a very fine decision. I guess it was made for financial reasons, but it turned out to be in everyone's interest.

Mr. McIntyre: That actually came about, to some extent, from the capital market availability studies we were doing to find out whether one could find the funds in the world and play the role that Mr. McColl was stating, which is being a prudent borrower and maintaining a stance in the market at rates that are triple-A credit rates.

Mr. Peterson: Have you ever thought about issuing a province of Ontario, widely-disseminated small bond for some guy in Ontario, or some widow or orphan, to buy \$100 worth or \$1,000 worth, using your own Province of Ontario Savings Office as a new mechanism to add a more populist type of capitalism here in Ontario?

Mr. McColl: If I may, the Province of Ontario

Savings Office has, I think, 21 offices. They are really located in southwestern Ontario, so they do not have a geographic coverage.

Mr. Peterson: You can put them out through the banks. Don't get hung up on that angle.

Mr. McColl: The other side is that it is an extremely expensive way to finance. Any study one sees on the Canadian savings bond concept, which is demand money and—

Mr. Peterson: Well, even if it is not; supposing it is tradeable but not cashable. It is dumb to buy Canada savings bonds. But just a trading bond—

Mr. McIntyre: It is not a feasible option that you are just going to trade them. You have to be able to cash them. People like to get their money back at times for certain reasons.

Mr. Peterson: You can just trade them in. They trade on the open market.

Mr. McIntyre: They won't be tradeable, frankly,

Mr. Peterson: You can trade a government of Canada bond any time you want and get your money back.

Mr. McIntyre: But at the prevailing rate.

Mr. Peterson: Sure.

Mr. McColl: What we have are public market issues of Ontario Hydro every year; \$850 million of that type of instrument.

Mr. Peterson: But that basically goes to the pension funds.

Mr. McColl: Predominantly.

Mr. Peterson: —or the institutions.

Mr. McColl: No, sir, they are available to the individual through branches of banks and dealers and trust companies.

Hon. F. S. Miller: All the major banks are members of the syndicate. As such, they are able to sell those bonds directly to individuals.

Mr. Peterson: Do they?

Mr. McColl: Yes, sir.

Mr. McIntyre: I think the major amounts go to the big institutions. There are retail sales, but not like there used to be years ago.

Mr. Peterson: I was not aware of that. What percentage of those issues in Canada would go into retail sales?

Mr. McColl: I do not have the figures with me, but I would guess between 20 and 30 per cent are sold retail. In the United States that type of market is almost totally institutional; it is the reverse. And that is the trend here.

Mr. McIntyre: But in our analysis of the savings bond concept, we were running into really tough sledding when it came to the administration costs, the turnover of the instruments, the need to make certain that the

individual who had payroll deduction process to buy the bond, could cash it in—a lot of them do at Christmas time or for other purposes. When you go through that costing system and analyse the permanent staff required to handle it, it does not make any sense.

Mr. Peterson: No, you are right.

There are other ways to get participation in the marketplace. I do not disagree with your analysis. I think it is probably quite sensible.

One of the things we are short of in this province is venture capital; it is one of the things we all want to stimulate as best we can, and you have your proposals and all that stuff. What if you issued some sort of a venture capital bond, if you just brokered it out and distributed it? There is a pretty high premium on it, but, on the other hand, a fairly high risk.

Could government effectively participate in that kind of program? Is there a role you could provide? Supposing we said: "We want to put \$50 million into venture capital this year. We will do all the administration, we will put out the bond, turn that over to a special pot." Frank, have you ever thought about something like that?

11 a.m.

Hon. F. S. Miller: I cannot say I have thought about it. I do not know that I would recommend buying them, because, as opposed to the Canada Development Corporation, which may be the kind of mechanism you are talking about—

Mr. Peterson: No, I'm not.

Hon. F. S. Miller: It is supposed to be making investments. I guess they are not venture capital investments quite as much—

Mr. Peterson: No, they're status quo.

Hon. F. S. Miller: My only argument would be—and I think I even see the signs of it with CDC—if, in fact, the government is the intermediary for you then, properly, government will start in making its choices of investments, start to use some of its own criteria for the kind of investment it wants to make; and they may not be those that necessarily yield a return to the investor as much as a return to the economy.

I would have to argue that is not necessarily in the interests of the person making the investment per se. It may be in the interests of employment—

Mr. Peterson: Supposing your contribution was that you guaranteed them and that you would take some losses—and, yes, there is always the playful component when you are handing this cash around.

Hon. F. S. Miller: I would argue that the people who are in venture capital are risk

takers. If you are going to ask me suddenly to guarantee, aren't you automatically removing the key part of venture capital?

Mr. Peterson: No.

Hon. F. S. Miller: I would dearly love to make an investment in any business that I could not lose money on.

Mr. Peterson: Obviously that puts a price on your money. If you guarantee it, you guarantee it at 12 or 13 per cent. If you do not guarantee it, you pay 18 or 20, and say, "We'll do the best we can to dispose of this widely." Or, "We're going to set up a mutual fund; we're going to take shares." And you will be doing it by units—

Hon. F. S. Miller: I would rather take the route we did, even with the small business development corporation loans, enlarge it or look at the tax rules that apply.

Mr. Peterson: That's not venture capital either. There is no sense sitting here, kidding each other that SBDCs are venture capital. Christ, they are an alternative source of financing for relatively stable kinds of projects that 95 per cent of—

Hon. F. S. Miller: I go up to visit a little boat manufacturing company in Midland and help them open it. I look at the product they are making and I look at the factory that is operating with seven employees or whatever it is. I have to say that is not what I would call the most stable, dependable company. It is apparently doing well, but it is a high-risk venture. It was made possible by SBDC program and it is typical of a number. It just would not have happened without SBDC money.

Mr. Peterson: Are you sure of that?

Mr. Laughren: The invisible hand of Frank Miller.

Hon. F. S. Miller: The invisible hand; that's right.

Mr. Peterson: Adam Miller.

Hon. F. S. Miller: Anybody who has ever played poker with me knows I have an invisible hand.

Mr. Peterson: What is your current exchange loss on your German loans, if you had to ante it up today, George?

Mr. McIntyre: I do not know what it is "to ante it up today" but there is an existing figure as of today of what we have taken in the way of losses.

Mr. Peterson: Have you written those losses off your books? Or do you only do that when you have to—

Mr. McIntyre: When we are repaying.

Mr. Peterson: So that does not appear as a liability on your books anywhere? You put those in as a footnote on your statements, don't you, on the prospectus?

Mr. McIntyre: We put it in the financial report too.

Mr. Peterson: What is that?

Mr. McIntyre: The note I have been handed only indicates at the end of the year the outstanding amount of \$40 million still owing in Germany. If we had to pay it off today, there would be an equivalent of \$85 million to pay that off.

Mr. Peterson: So there is an exchange loss of \$45 million on that.

Mr. McIntyre: That is guesstimated. That is not an actual loss.

Mr. Peterson: That was one Charlie MacNaughton made in 1968 or 1969. Am I right?

Mr. McIntyre: No, that would most likely be the 1972 issue. That was the last one.

Mr. Dick: There were two. He is right. There was a 1969 issue and a 1972 issue.

Mr. Peterson: That was when Morty Shulman said, "Don't go there." That was then, wasn't it, or was that 1972?

We did a calculation, and I just do not recall the figure, but I think the total exchange losses on those two placements were something like \$60 million or \$80 million.

Mr. McIntyre: The actual German costs began with a coupon rate of around five to six per cent, I think, and at the time we would have had to borrow moneys in Canada at eight or eight and a half.

I think there was a two to three point spread at the time and we felt it would be a super cushion to take care of foreign exchange losses and history has proved it wasn't. The effective rate today would be somewhere around 14 to 15 per cent on that type of issue.

Mr. Peterson: Any way you cut it, we are looking at a loss of \$1 billion to \$1.1 billion in potential exchange losses at today's exchange rates.

Mr. McIntyre: I have not got that number.

Mr. McColl: I am not sure you can calculate it that way. We do a monthly survey of 10 firms forecasting in Canada. As of the end of this month in the range of forecasts for the Canadian dollar there is only one firm that sees the Canadian dollar in the 83 range, and they see that in the first quarter of 1982. The high for the Canadian dollar, quarter by quarter, those 10 firms see as 91 cents, also in the first quarter of 1982.

Mr. Peterson: I have read those guys too, but obviously you were not reading them at the time. They may be right or they may be wrong. Obviously you guessed you were not going to be outside when you did the placement.

Mr. McColl: It seems to me you are talking about \$1 billion over the next 30 years, given that the Canadian dollar will always remain around 85 cents.

Mr. Peterson: That is right. On my assumptions, would you agree with me?

Mr. McColl: I would agree, yes. I have not done the calculation but I would agree. But I am not agreeing that the Canadian dollar will remain at 85 cents for the next 30 years.

Mr. Peterson: I know. Just on my assumptions you would agree that there is \$1 billion or so exchange loss. We can all sit here and speculate about it, I know a lot of people think there is going to be a general increase, but you know the government policy. The federal government policy is going to keep that dollar fairly low, as I see it.

I am not saying there will not be a change of administration up there in 10, 20, 30 or 40 years, but who knows? How can you prevent those kinds of problems from occurring in the future? It is going to be a worry to you.

Mr. McColl: I think we have not borrowed in hard currencies—I am excluding the US dollar—since, I believe, 1972.

Mr. Peterson: By hard currencies you mean?

Mr. McColl: Swiss francs, deutsche marks.

Mr. Peterson: Okay, but you borrowed US funds, which imposes the same risks.

Mr. McColl: We have said earlier that the amount of available capital, unless you want to squeeze everybody out of the domestic market, requires some US dollar borrowing on the part of Hydro. Last year we arranged to transfer \$500 million Canada pension plan money to relieve that pressure and bring the dependency down, but the point of the matter is that if you borrowed \$4 billion when the Canadian dollar had historically been around par—I think the 60-year average is around 99—the question then becomes, do you abandon that program when it seems to be the most advantageous time to be borrowing, i.e. the Canadian dollar at 85 cents or 84 cents?

It does not seem reasonable, if you combine that with the historical fact that interest rates generally have been lower in the States by about 100 basis points.

Mr. Peterson: They are not today, they are up.

Mr. McColl: They are not today; we are not borrowing today.

Mr. McIntyre: There is one thing I would like to clear up, if I could. I think you were kind of tucking the US currency into the German and Swiss currencies as being relatively hard currency. Was I wrong on that?

Mr. Peterson: You said hard currency and I did not know what you meant by hard currency.

Mr. McIntyre: I think you were kind of inferring that there is the same type of risk in the US currency to Canada as there is with the German and the Swiss currencies.

Mr. Peterson: Obviously five years ago, or seven years ago, we did not anticipate what was going to happen with the Canadian dollar. In retrospect, it would have been a hell of a lot nicer not to have that exposure in the United States, but we have got it. Which leads me to my next point.

I am one of those who very much supports the transfer of Canada pension plan money into productive investments that generate a measurable economic rate of return, where the cost of that money is factored in and is a cost of goods produced or whatever. It is my view, of course, that had all that pension money been dumped in Ontario Hydro, we would be in a lot firmer position than we are.

11:10 a.m.

We have gone over this before and I want to talk about it again. Every year we talk about this and we are getting closer and closer to doomsday, when we are going to have to start to ante up back to the Canada pension plan. I think the current estimate is about 1985. If I give you any bad figures, or if my assumptions are wrong, correct me.

It looks to me—and we have discussed this before—that we are going to have to start coming up with about \$1 billion or \$2 billion in new cash, generated from somewhere or other, to start paying back CPP when the disbursements start to exceed the receipts for the first time in history.

Mr. McIntyre: I think the only thing you would have to watch—and we have not got this clarified as yet—is what type of benefit contributions we would have to give to pay back to support the CPP when the flow moves the other way. I am not sure about that number, that's all. I question your \$1 billion figure.

Hon. F. S. Miller: I stress that I am being facetious before I say this so you cannot take me too seriously. With the human rights amendment bill being introduced yesterday, and with the statement made that one would consider, after the Royal Commission on the Status of

Pensions in Ontario report, the age of retirement on a compulsory basis, you may solve some of your problems.

Mr. Peterson: I have advocated it; you are right. My NDP friends will not agree with that point of view, but that is one of the most important things we can do to take pressure off that fund before we all, collectively, go belly up. I want to know where you are going to find that \$1 billion or \$2 billion a year of new money, starting in less than four or five years.

Mr. Laughren: You could start them working at 14, too.

Mr. Peterson: That is the first constructive idea I have ever heard out of you.

Where are you going to find that money?

Mr. Dick: Mr. Chairman, may I interject? There is another aspect of it that perhaps I might put into the equation. This situation has been known for some time. The other provinces and the federal government share it with us. We have, as you know—we keep mentioning it—a committee of the officials of the provinces and of the federal government who are looking at alternative financing respecting the Canada pension plan, recognizing that it is one of the bases upon which provincial governments have had the ability to finance internally for their needs.

So what we are going to do is really very dependent upon what the provinces and the federal government agree as the way in which the Canada pension plan and the fund—

Mr. Peterson: What is your position on increased contribution rates?

Mr. Dick: We have not calculated—I am not aware that they have calculated an alternative contribution rate to change the funding.

Mr. Peterson: What is your position when you go to these meetings? Are you saying that we have to increase the contribution rate?

Mr. Dick: No. We are interested in the alternatives.

There are various ways, as you know, of doing it. It depends a lot on what the option of the governments may be with respect to the way they are going to fund it. If it is going to be by increased contribution rates, that is one way. On the other hand, that may not be the one they choose.

Mr. Peterson: First of all, where the hell is Haley?

Hon. F. S. Miller: It is a comet. It comes by once every—

Mr. Peterson: Is she still alive? Does Donna Haley really exist? I want to know. Where is

she? I would like to meet this lady. Everyone denies responsibility. You fellows commissioned that report, didn't you?

Hon. F. S. Miller: The royal commissioner is a power unto herself. One of my staff, I am sure, can tell me.

How soon will we see that report, David?

Mr. Stouffer: Supposedly mid-December.

Mr. Peterson: Can I write that down? I would like to get your name and address and write that down, because if you are lying to me you are going to be in very serious trouble. Are you guessing, or do you know that for a fact?

Hon. F. S. Miller: This is David Stouffer. He looks after our pension matters.

Mr. Stouffer: About a week ago, I was talking with Miss Haley about that particular problem, and she indicated that she was having problems with the printing—most of the report is complete and written—but she hoped that by mid-December she would be able to present the report.

Mr. Peterson: Is it going to deal with all these public financing issues as well as the same stuff as Cofirentes and the economic council dealt with, as well as changes in private legislation?

Mr. Stouffer: Her mandate was to explore all aspects of the Canada pension plan and private pension plans and, as far as I can determine—

Mr. Peterson: What about the public plans, teachers and—

Mr. Stouffer: The whole shooting match; there was no area that could be left untouched as far as her terms of reference were concerned. In regard to the Canada pension plan, which I think is your major concern right now, I expect that she will touch on everything that the economic council touched on and perhaps more. There will be at least one, perhaps two volumes of material on the CPP.

Mr. Peterson: There is a great pension conference in May or June in Ottawa, am I right?

Mr. Stouffer: The national pension conference is schedule for about April 1.

Mr. Peterson: It was deferred because you people were not ready to go. Is it your plan to digest Haley and take a firm position at that conference, representing Ontario?

Hon. F. S. Miller: We have been awaiting the arrival of the report before jumping to that conclusion, but we hope to be able to put some reasonably intelligent input into it.

Mr. Peterson: I see that Rendall has carefully avoided taking a position on anything. I have great respect for the man, but—Rendall, I could

find you a seat, I really could. If you want to run for the Liberals we will find you a spot. You are a great politician.

Hon. F. S. Miller: He is just about eligible for pension and that may just speed it up.

Mr. Peterson: It seems to me we have got to address some of these things. You have got to start formulating some approaches to the payback to the CPP. Do you have any thoughts on it now, or are you just fooling around?

Hon. F. S. Miller: I think I will direct this to our experts.

Mr. McColl: Just to put it in perspective, you talked about the \$1 billion, or whatever number you choose to use, that is due. In 1990, the obligations with the Canada pension plan and teachers are subject to rollover; that is one option.

On an annual basis the amount of maturing debt represents one or one and a half per cent of projected revenues in those years. I am not sure that talking about \$1 billion, in today's context, is going to be the same.

Mr. Peterson: What you are telling me is that the size of the gross domestic product and the size of the budget then will be an incidental figure; although it is reasonably major today, it is not all that important then.

Mr. McColl: One to one and a half per cent of revenue is an important figure but, yes, it is not as serious as it sounds.

Mr. Peterson: But you still have to refinance that and, let us face it, it is call money, or almost call money. If the CPP need money, they are going to draw everything down on to you before they let the fund go under. You are the biggest creditor.

Where are you going to get the dough? Are they going to have to go to the New York market and borrow it? Barring an increase in contribution rates, they are still going to dry up.

Mr. Stouffer: Mr. Chairman, if I could add to that, I think you have to recognize that the present contribution rate to the Canada pension plan is very much too small for the size of the benefit that is being purchased. So it is inevitable that the contribution rate will rise, and it will very likely rise very soon.

Mr. Peterson: Who is going to do that, the feds?

Mr. Stouffer: In so far as increasing the contribution rate is concerned, the recommendation is going to come from the federal government, but the actual decision as to what the new rate should be is the result of the agreement of the provinces.

Mr. Peterson: You are right in a sense. It is the single best pension buy in North America. It is a hell of a good deal for the participant. Fully funded, it would be—what?—seven or eight per cent, something like that.

Mr. Stouffer: One estimate we have is eight. It is probably a little bit more.

11:20 a.m.

Mr. Peterson: To be fully funded, which is a subject for great discussion both ways, all it really does is defer the pressure on the provinces. It leads to what Don McGillivray wrote about in his syndicated column. It is going to be the great provincial ripoff. The provinces may never pay back—according to him, we have to be aware of this at least—the billions of dollars they have borrowed in the past. So you just defer; it is just a revenue grab for the provinces.

How do you prevent that?

Mr. Dick: I think at the outset, when the Canada pension plan fund was established, the arrangement for borrowing in the same relationship as the outflow from the provinces and so on was to recognize that the massive fiscal transfer that was going to take place could be a drag on the economies of the various provinces. So that was devised and put into place.

The safeguard in the thing you mentioned, to prevent the so-called revenue grab if it was needed, was that since the federal government may, as the outflow of the funds requires—I believe it is on six months' notice, David—may require the payment of any obligation that was made by the province.

Mr. Peterson: Yes, it is six months, or 12 months. But that is almost demand money today.

Mr. Dick: It is almost demand money, but I think that was the guarantee to the people of Canada. Since the money was their pension fund, then the money which is there to finance it will be there; and on the security of the provinces, because they can, at any point, with the six months' notice, be required to pay back the money they have borrowed from it.

In that way, it could never be a revenue grab in the sense of taking it and keeping it. It will always be something though, because of its massive size, that will have to be balanced and worked at in conjunction with the provinces and the federal government.

At the present time it represents, according to the last figure I saw, about 45 per cent of the funded debt of the province. That is representative of the other provinces too, I expect. It is so large it has to be dealt with in a way that it could never

be a revenue grab, but there would have to be a recognition that it is a fundamental part of provincial financing.

Hon. F. S. Miller: Over a year ago we brought out three papers on the theories and practices of pensions—pay as you go, funded, et cetera—making some calculations as to what the impacts were. I am sure you saw those. It was staff study 16.

Mr. Peterson: What is your view, David? What position would you like to take to the pension conference? What do you think is in the best interests of the province of Ontario about funding?

Mr. Stouffer: I am not sure I can really answer that question, for two reasons.

Mr. Peterson: I can find you a seat and then you can say anything you want.

Mr. Stouffer: I also don't know what the agenda is to be at the national conference on pensions. What is to happen at the conference is not entirely clear at this point. We have had varying indications of what the agenda is to be. At this stage I do not really know what the role of the province will be or what it should be.

Mr. Peterson: Is it your intention, Mr. Treasurer, to lead that delegation?

Hon. F. S. Miller: I would hope to be involved in it, yes. I want to know—I am holding my options open right now until Miss Haley gives us all that information and lets us have some kind of idea of the alternatives open to us. It is something I have awaited almost since the day I became Treasurer. It seems to me we have heard that this report has been imminent since about then.

Mr. Peterson: We share the same frustrations.

Hon. F. S. Miller: Yes. When it comes in and we have a chance to digest what will be obviously a massive, monumental study, we will be able to react a little better. I think it is a bit early for me to judge exactly what reaction we will take.

Mr. Laughren: What is the latest date you hear now? When are we going to see that?

Hon. F. S. Miller: It was mentioned a few minutes ago—around December 15, Miss Haley alleges. We did not say what year.

Mr. Peterson: I am just trying to extract from you gentlemen any predisposition you had taken in this, and I detect none. You don't have any thoughts you can share on the subject? If you don't, I am going to tell you all of mine.

Mr. Stouffer: I certainly do have personal opinions, but I just do not feel this is the appropriate forum for personal opinions. As far

as I am concerned, the province has to look at all the alternatives and develop a policy from those. As far as we are aware, not all the alternatives will be available until after we see the royal commission report. I would not want to speculate on what the provincial position would be.

Mr. Peterson: But you used to make noises about the contribution rate having to go up. It never became policy. You sort of backed off, but at least it indicated some recognition of the gravity of the problem. Have you ever dealt with that?

Hon. F. S. Miller: You and I in our very first estimate debates got into a fairly good discussion on the question of the adequacy of the funding of the Canada pension plan. I recall you referring to a number of studies and extrapolations of fact. I think you will find I responded in kind and said I also was very concerned about it and had a lot to learn about it, at that point, and I still do, by the way. Because I find of the many—

Mr. Peterson: Did you ever read that book I sent to you? Geoffrey Calvert's book?

Hon. F. S. Miller: Yes, I read it completely.

Mr. Peterson: Have you guys read the book?

Hon. F. S. Miller: I read it over Christmas in the year 1978 and I found it very interesting. The fact remains that—

Mr. Laughren: What book is that?

Mr. Peterson: Geoffrey Calvert's *Pensions and Survival*.

Hon. F. S. Miller: One of the things we were asked to do, not directly but rather indirectly, was to refrain from making public statements of conjecture or potential policy until we had a chance to see what the study produced, because it was pre-empting and pre-judging what might come out in the study.

I think in all fairness to the royal commissioner, we have tried very hard to maintain that posture for a period of time. It is very difficult. Yesterday, for example, we discussed the human rights bill, and we have had to say until such time as the commission reports certain steps will not be taken.

When we were talking about the job closure and pension options, we had to say we were still waiting for the royal commission report before we could jump to certain conclusions about pensions. So almost every time the minister stands up—certainly Dr. Stephenson has had cause, a half dozen times, to defer taking a position on benefits to teachers, et cetera, until the commission reports.

Mr. Peterson: The odds are Miss Haley is going to contribute no new knowledge to the

question. This whole thing has been studied to death. Everyone in the world has done it: Quebec has done it; BC has done it; everyone has done it. She may intelligently lay out the options from Ontario's perspective, which is fair enough, but I do not think you are going to find any surprise issues or any surprise solutions that have not been obvious to you already.

One of the problems that is uniquely yours is the unfunded liability of about \$1.4 billion in the teachers' superannuation fund. And of course there are others, the public service and so on.

What are your thoughts on unfunded liabilities? Do you think they are a reasonable thing for a province to run, or would you want to try and work your way out of them?

Mr. Stouffer: In the case of the teachers' plan, the present unfunded liability, disclosed in 1978, was \$1.1 billion. It had come down substantially from 1975.

Mr. Peterson: In the study I saw it was more than that. How often are you doing an actuarial review?

Mr. Stouffer: Actuarial reviews are done at three-year intervals. What you are referring to was in 1975. Another one was produced in 1978, as at 1978, and became available in March 1980. So that particular valuation, done by Eckler Brown Segal and Company Limited, indicated that the unfunded liability of the plan was \$1.1 billion. The special payments, as a result of the substantial reduction in the unfunded liability since the previous valuation, were reduced from \$144 million to just under \$120 million.

Mr. Peterson: I guess that is where I got confused. Because in fact, if you were not making special block payments every year, you would have had a \$1.4 billion—you respond to that pressure with a turnover of \$144 million a year.

Mr. Stouffer: That is right. For three years, \$144 million was put in that reduced the unfunded liability.

Mr. Peterson: That is in addition to your contractual obligations to that fund, which brings your effective contribution rate to something like 15 to 16 per cent. Do you agree with me?

11:30 a.m.

Mr. Stouffer: Not quite that high. The mandatory contribution, as described in the legislation, with the employer making six per cent less the adjustment for the Canada pension fund, is producing roughly \$140 million a year. That averages out to approximately five per cent of payroll because of the effect of the Canada

pension plan. The special payment that was made on the 1975 basis was roughly the same amount, \$144 million.

So, in total, the province is putting in between 10 and 10.5 per cent of payroll at those levels, and as a percentage of payroll we find the contribution which the province makes in total is actually reducing somewhat as the special payments become smaller, that is from \$144 million to \$120 million, and they are, of course, fixed for 15-year periods, and also as the salary base increases.

Mr. Peterson: Concomitantly, your obligations increase too. You are going to net on it because it is an eight per cent index with a banking provision, right?

Mr. Stouffer: The superannuation adjustment benefits—

Mr. Peterson: They are fully indexed.

Mr. Stouffer: Yes. They are indexed eight per cent with a cap, which can be adjusted—is adjusted. But that is a separate matter from the basic plan. I am talking only about the basic plan here.

The superannuation adjustment fund is an entirely different plan. It is funded on a modified pay-as-you-go basis; as you know, one per cent from the employers and one per cent from the employee, which builds up a fund. When that fund is exhausted the contribution rate, supposedly, would be increased in a matched way. This is separate from the basic plan we are talking about when we talk about the teachers' superannuation fund.

Mr. Peterson: What is your view on this unfunded liability? Are you trying to work your way out of it or what? Recognizing, of course, had you paid market rates for that money, that fund would have more integrity. I do not know what the number is, but it would be less unfunded than it is now.

Mr. Stouffer: There are two or three questions there. I will try to answer the first question, which is, what do you think of the unfunded liability.

It is inevitable that an unfunded liability has arisen when we have had substantial salary scale improvements that were not allowed for in the original costings of the plan. I am talking about costings which occurred back in the 1960s.

Mr. Peterson: Which is the problem with all pension plans.

Mr. Stouffer: Yes, but if you take a look at the unfunded liability relative to the total liability over the period of the last 10 years, you find it is shrinking fairly fast. So we are moving towards the situation where the plan would have a

relatively small unfunded liability and perhaps, in the not too distant future, no unfunded liability at all.

Mr. Peterson: When?

Mr. Stouffer: If everything is realized in the actuarial assumptions, all but the initial unfunded liability would be paid off in about 12 years.

Mr. Peterson: What is the initial unfunded liability?

Mr. Stouffer: The initial unfunded liability was an item of \$328 million which was established in 1965 as the unfunded liability of the plan at that time, and on which the government had to pay interest only. So that remains resident in the present system, in perpetuity.

Mr. Peterson: You are telling me you are working your way out of that?

Mr. Stouffer: Yes. And I think you will find, if you look at the actuarial reports, that a significant amount of effort has been expended on getting an actuarial basis which is more appropriate and which does take into account some of these variables that have, in the past, created the unfunded liability.

Mr. Peterson: It still compounds your financing problems in the province. You borrowed—I am forgetting the figure—\$3 billion or \$4 billion from that plan, as I recall.

Mr. Stouffer: Right now it is just about \$4 billion.

Mr. Peterson: Four billion dollars. And at some point in the near future, you are going to run into the same problem that you have with Canada pension plan. It is going to dry up as a source of financing, is it not?

Mr. Stouffer: No, it will not dry up as a source of financing, because—

Mr. Peterson: But at least you will run into a negative cash flow with it.

Mr. Stouffer: No, we do not. Negative cash flows, for this kind of plan, which are virtually fully funded, do not really occur because, to remain in balance, effectively the fund has to grow with the growth in wages. That is the theory behind it.

So you find that, in order to keep it in a fully funded position, where the actuarial side works out, most of the interest will be ploughed back into the fund to keep the fund growing.

As far as the negative cash flow goes, interest in the cash flow does not represent much of a possibility for a very long time in the future.

Mr. Peterson: So you see that as an endless source of cash to you?

Mr. Stouffer: If you look at the 1980 budget, you will recognize there a statement which said

that at some point we are going to have to consider investing money flowing from the fund in the private market, and discussions will take place with interested parties.

Mr. Peterson: The Ontario municipal employees retirement system experiment.

Mr. Stouffer: The OMERS experiment. So in view of the fact the government has taken that approach of looking at that aspect of it, I would not be inclined to say we look at it as an endless flow of funds.

Hon. F. S. Miller: There are a lot of other issues on the teachers' side that would be looked at too. We have had some meetings with the Ontario Secondary School Teachers' Federation recently and I think they have a committee of teachers and government representatives working on a number of issues, one of which is pensions.

I guess we act as the employer in this case in terms of the contribution.

Mr. Peterson: You are not really involved in the salary negotiations, yet you carry the key for all their decisions.

Hon. F. S. Miller: We have done so, in spite of the fact that in OMERS we do not act as the employer. With OMERS, I believe the municipalities act as the employer and have to worry about their contribution.

When one looks, for example, at the support to education in the province—and one is always making invidious comparisons—one totally forgets the \$300 million-odd we pay on behalf of the boards, instead of them raising it on the mill rate.

Mr. Peterson: This was factored into the Edmonton commitment, as I recall.

Hon. F. S. Miller: Probably it was and it should be, because it is money that was paid directly on behalf of an employer who is at the local level.

Mr. Peterson: I understand the argument. The municipalities did not, but I understood it, Frank.

Hon. F. S. Miller: It makes a significant difference in the percentage of support Ontario gives for education when you add that in. When you add \$367 million to \$2.2 billion you have added another big chunk of money that flows from the province on behalf of the employer, instead of flowing it to them in some kind of grant or making them raise the levy.

Let me be honest and say the things the teachers fear most in, let's say, the tradeoffs that might occur in their freedom from us as the one and only borrower, is that they may not see us as the employer any more. And they really trust us

as the employer far more than they trust their school boards. I think that is a pretty safe statement.

Mr. Peterson: Why don't you buy your way out of that fund? Why don't you turn it over to the teachers and say: "You run the fund. We'll buy our way out of the unfunded liability. We'll make—"

Hon. F. S. Miller: It has a unique set of conditions though in that we are responsible for the benefit.

Mr. Peterson: I know we are.

Hon. F. S. Miller: And I am not responsible for the benefit in OMERS by direct comparison. But this needs to be kept in mind.

At the same time, we may not be the people setting the benefit. Therefore, you find yourself in a position of assuming responsibility for something that is not totally within your control.

Mr. Peterson: I agree with you.

Hon. F. S. Miller: I think one would argue that in the discussions that inevitably will go on in the next while, following the Donna Haley report, will be the question of whether the province should remain as employer; whether the province should not make some change in its program which puts the onus for the benefit and the collection and payment of the employers' share back in the hands of the people making the decisions. It will be a very interesting discussion.

Mr. Peterson: Why don't you buy your way out of it—

Hon. F. S. Miller: What's the way you buy out of it?

Mr. Peterson: —and just say: "You take the real responsibility for it. You can invest it as you wish. We will make a contracted amount of payments to the fund every year and that is it, and you have to buy your way out of the unfunded liability over a specified period of time?"

At that point the taxpayer is no longer obliged to carry the can, particularly for the unfunded liability, which is not his responsibility.

Mr. Laughren: How would that change it?

Mr. Peterson: For future unfunded liability. There would also be more integrity in the fund because it would generate a higher rate of return.

One of the teachers' big squawks is that it is generating a point to a point and a half less return than could have been achieved in the open marketplace, but the province's response is that they have a provincial guarantee for all that stuff and that is worth a point or two. I am not trying to make arguments for you, but that has historically been the response.

If I were you, I would want to divest myself of those kinds of responsibilities and let the people who make the decisions suffer the consequences. I agree with you. You are in a weird position on it. You have the worst of all worlds.

11:40 a.m.

Hon. F. S. Miller: I am just trying to do some arithmetic in my head and I may not have done it accurately, but if one simply counted that total—someone said it was \$367 million in total that we transferred to the various teacher-supported pension funds last year, does that sound right? And our transfers to school boards last year were in the order of \$2.2 billion, is that right? I'm going off the top of my head on these figures, but one is 18 per cent of the other.

Well, if \$2.2 billion of transfers pays a little over 51 per cent of the total cost of operating the boards, then you would have another nine per cent of the total cost of operating the boards in the transfer payment or the payments made on behalf of pension funds by the province. The combination of those two bring you to the magic 60 per cent that so many people say should be the support level in education in Ontario.

After that, the amount of money we transfer to pensioners and to property owners, half of which can be quite honestly earmarked for education, because roughly half the tax bills are for education—

Mr. Peterson: You walked into that with your eyes open. Don't blame me for that one.

Hon. F. S. Miller: No, I am making it a positive point.

Mr. Peterson: Oh well, I'm making it a negative point.

Hon. F. S. Miller: And you are making some \$250 million more in total being transferred, \$125 million of which is attachable to education—no, \$500 million, so \$250 million is attachable to education—and you have another 10 per cent, so you are virtually at the 70 per cent level.

Mr. Laughren: You are being provocative now. The fact remains that over the last—

Hon. F. S. Miller: I am just telling you how much of a load we are taking off the taxpayer of the province.

Mr. Laughren: Over the last 10 years the proportion of provincial dollars going to education—

Hon. F. S. Miller: I should not have awakened up the NDP.

Mr. Laughren: Your support to education is dropping, not increasing. That is why we need a bill like the one we did not pass last night.

Mr. Peterson: Who is carrying the can for the private pension legislation in this province? Would that be Consumer and Commercial Relations, or would that be you? Where is your expertise in the various ministries? I know it's you, David, but where is the rest of it? It is my view that once Haley comes out, if she does, we are into a very major public discussion of a lot of issues. Interestingly enough when a lot of those appeals were made in 1967, there was no in-house or indigenous pension expertise, I mean there wasn't in Canada. You know it is a relatively new phenomenon we have to deal with. Now who is carrying the can—where is the main thrust for the private pension forum going to come from? Are you involved in that, or is that Frank Drea?

Hon. F. S. Miller: Frank Drea, I believe.

Mr. Dick: I just make the observation that the statutory provision is really the pension commission under Mr. Drea's Ministry of Consumer and Commercial Relations. We also are concerned and will be watching it because of the economic impact in respect of the private sector.

Mr. Peterson: Are you planning an inter-ministerial group to digest the Haley report and come up with recommendations? Or how are you planning on handling that?

Mr. Dick: Well, at this time we are all waiting for the report to see the form it takes, and the approach it takes, before we know how perhaps the government had best put its resources together.

Mr. Peterson: It is coming out in about three weeks, so obviously you are thinking about how you are going to handle it and what your response is going to be.

I just look back, for example, when on more than one occasion I have pressed Frank Drea for legislation, at least simple stuff. Let's start with disclosure at least. He promised legislation this fall, even if Haley did not report, and he didn't and she didn't and so nothing has happened. But I just want to know where in the government I will be looking to for leadership in this.

You cannot help me. David, do you know the answer to that?

Mr. Stouffer: No, I don't know the answer to that.

Mr. Peterson: Do any of you guys know? Okay, I think you know but you are just not telling me. Do you have any idea on how soon you are going to have a response from the government and a program?

Hon. F. S. Miller: I'm sure there will be one. I am not going to say from whom yet.

Mr. Peterson: You don't know who is going to do it and when, but in the fullness of time—let me change the subject for a minute because I have got absolutely nowhere in the last two hours.

Hon. F. S. Miller: I think it has perhaps been one of the better discussions, quite frankly, and I was commenting quietly that one of the advantages I find of being in committee, as opposed to being in the Legislature, for the estimates discussion is that some of the more technical matters can be discussed in a fairly thorough and leisurely way with the people handling them.

I am sure you realize that I, as a minister, am as fully aware of every part of this ministry as any one expert is, but it is nice to have them able to express it directly to you.

Mr. Peterson: I very much share that point of view. I was unhappy being in the House the last two years. I am glad to be here to talk to the various players. It is far more instructive from my point of view I must say. And I learn more here.

Mr. Laughren: I do not share that view.

Hon. F. S. Miller: You do not accept the fact that I am as aware, or that the committee is as effective?

Mr. Peterson: You don't think it is? I do. You are quite entitled to make your mining machinery speech if you want to, but my God, I will listen to it again for the fourteenth time. Why don't you just put it on tape and send it around to everyone?

Mr. Laughren: You have to say it an awful lot of times to sink into this group.

Mr. Peterson: Let's talk about the mini-budget for a minute, that beautiful thing you brought out last week. The political response to an economic crisis, but that is okay. You recall a bill of mine passed the House on—

Hon. F. S. Miller: Are those autographed copies of my supplementary estimates that you are handing out to your constituents?

Mr. Peterson: Yes.

Hon. F. S. Miller: I tell you, I get many requests for those as author, but I did not realize the opposition was taking credit for them.

Mr. Peterson: When you speak everyone cries out, "Author, author." Do you find that?

Hon. F. S. Miller: Yes.

Mr. Peterson: You are taking this tax expenditure problem far more seriously than you have in the past. As you recall, I tabled a bill on tax expenditures and it passed the House, interestingly

enough, on second reading, and then died. And I can tell you we will never see it again, but I assumed that.

Interestingly enough, you made a big show of that in here but you did not publish one result of what tax expenditure analysis would have done to any of these tax expenditures you brought in. It was glaring to me. You know, it is a pretty major hunk you gave away, \$260 million. And I think it is generally recognized there is import leakage of about 50 per cent on that; 40 per cent?

Hon. F. S. Miller: I do not think it would be as high as that. One could go through the categories on light vans and trucks, the estimated leakage would be about 40 per cent—30 per cent? On white goods I would not have guessed it was more than 20.

Mr. Peterson: We have checked that with Industry, Trade and Commerce; it is 50 per cent. Now in fairness, that is outside Ontario's borders. I do not want to be—

Hon. F. S. Miller: We did an analysis, for example, on furniture. It seemed to me that 49 per cent of Canadian manufacturing was in Ontario, and about 39 per cent was in Quebec. We took the Canadian market, because in all fairness, Quebec has had the same kind of exemption on furniture which has benefited Ontario as well. I did not think we should become quite as parochial as that, when we have benefited from like action next door. We felt, however, the Canadian economy was generally stimulated by that move, and it was one we could control pretty well.

Mr. Peterson: I understand that. I hesitate to be too chauvinist and say it should just have been Ontario directed. But the Industry, Trade and Commerce figures I have seen—and they may or may not be right—showed about 50 per cent of the billion-dollar furniture market in Ontario comes from outside of Ontario's borders.

Hon. F. S. Miller: That is about right.

Mr. Peterson: The appliance business is about a \$250 million business; about 50 per cent of that comes from outside of the borders.

Hon. F. S. Miller: If I am not wrong, only 10 per cent of that billion-dollar market comes from outside of Canada. That is the key difference.

Mr. Peterson: But when we are dealing with scarce funds I mean—I don't want to get into a fight about national unity here, but when we are dealing with scarce funds, and everyone else is

protecting their own behind first, your obligation is not to ensure Canadian unity with this budget, it is to stimulate jobs in Ontario.

Just before I get into that, what would be the figures on building materials, the ones you—

Hon. F. S. Miller: On building materials? I would think that is the lowest of the group.

I wonder, Bernie, if you and perhaps Tom would like to come forward at this point. Tom Sweeting and Bernie Jones are the people from tax and fiscal who did most of the work on this.

11:50 a.m.

Mr. Peterson: Are they the authors?

Hon. F. S. Miller: They are the authors to a large degree.

Mr. Peterson: Why do you always blame your staff, Frank? You are supposed to take personal responsibility.

Hon. F. S. Miller: I am so proud of it I think I should share the credit.

Mr. Peterson: What is the leakage on the building materials category?

Mr. B. Jones: It depends on which category you look at.

Mr. Peterson: Overall, there is no sense getting too—

Mr. B. Jones: I do not know that I could really put a figure it, I would be guessing. I guess it is something like about 20 per cent.

Mr. Peterson: Some builder phoned me the other day and said, "Why did you exempt clay brick when we have calcite brick made in Ontario?"

Hon. F. S. Miller: We have basically resolved that issue by regulations.

Mr. Peterson: You have changed that?

Hon. F. S. Miller: Yes. What you discover quite honestly after each tax measure is that there will be things that in principle you intended to include but the wording in your announcement may ignore them. I think we ran into about three specific areas: the light vans, trucks on the GVW sticker; the kinds of brick; and whether upholstered furniture did or did not—

Mr. Peterson: And you changed the regulation on that?

Hon. F. S. Miller: We had precedents. For example, in the case of upholstered furniture, Revenue for years had been charging tax on the whole product if it was more than \$250 a piece, and therefore we made it sales tax exempt if it was more than \$250 a piece, following the same model.

Mr. Peterson: That is the most screwed up set of regulations I have ever seen in my life. Over

\$250, it used to be you paid tax and now it is exempt. Under \$250, you pay tax on the materials but not the labour. If you buy the material you are supposed to pay tax but, according to your own officials with whom we have checked—I will not name them, they are in Revenue and not your officials—most people do not pay tax on yard goods.

If you go into the store and say, "I am buying this material to upholster my couch," you are supposed to pay sales tax on it; but if you go in and say, "I just want that material," and do not specify the end use, or imply you are going to make a suit out of it—like the one you are wearing, Frank—you do not pay tax. Yet when you take the material to the upholsterer you do not pay tax on the material but you pay tax on the labour. Would you explain that to me?

Hon. F. S. Miller: You know you will never have a perfect system of sales tax.

Mr. Peterson: I am trying to help you to be perfect, Frank.

Hon. F. S. Miller: I know you are perfect and that is what makes life difficult for me.

Mr. Peterson: No, I did not say that, I am trying to help you to be perfect. You have the potential, I do not.

Why do you not just scrap it all on that category of stuff? What is the point of fooling around?

Hon. F. S. Miller: I think in general the irritations, and there are always interface irritations in any tax measure, are well worth the result.

When we took sales tax off yard goods and patterns, whatever it was, a couple of years ago, the next thing somebody said is, "Why not threads and needles?" The answer is always you have to draw lines somewhere. You do your best to draw lines that are distinct; they are not always distinct; they are always subject to somebody's interpretation.

We often have problems with people who can make those distinctions charging the tax to the buyer and not necessarily remitting it to us. We have things like that which make us go and do some audits, "Do you want a receipt today or do you not?"

Mr. Peterson: But certainly, Frank, a system that invites duplicity or invites cheating is a bad system, obviously.

Hon. F. S. Miller: I think ours invites as little as any.

Mr. Peterson: The upholstery incident does, in my judgement. It is not enforceable. I told you your own officials said, "We really cannot enforce the tax on yard goods used for upholstery purposes."

Hon. F. S. Miller: I think sometimes the cost of enforcement and the attitudes of enforcement, where there is a grey area, outweigh the benefits. I have an abiding faith in most people to be relatively honest, recognizing a number of people will not be. The fact is the cost of catching those who are not often exceeds the value of the loss and I think puts you into a police state atmosphere, which I do not believe in.

Mr. Peterson: I am not talking about that, the police state. I am talking about designing your regulations so people can comfortably and easily comply with them so you do not invite violations.

It is like putting a piece of cake in front of my three-year-old and saying, "Do not eat it or I will whack you one." I am unfair to him in putting the piece of cake in front of him if he cannot have it, because I invite him to violate my instructions.

Hon. F. S. Miller: That is basic Liberal training, by the way.

Mr. Peterson: I am making a serious point though, Frank. I do not think it is enforceable; I think it invites fooling around with the sales tax.

Mr. Laughren: Can I have a specific question on what you are talking about here?

Mr. Peterson: Sure, go ahead.

Mr. Laughren: On the exemption for building materials, I had a call the other day about how to handle it. The caller had a contract with the builder to build a house and deliver materials at a certain price, which assumed a sales tax of seven per cent, which is pretty substantial on all the material that goes into a house. Then the exemption comes in, and the builder will not be paying sales tax on that material, but the individual will be.

Is there any recourse for the individual who has already contracted with the builder?

Mr. B. Jones: In terms of building materials in a house, if the builder bought the materials, he is the purchaser of those materials under the act.

Mr. Laughren: That is what the problem is. He is going to get the exemption.

Mr. B. Jones: The Retail Sales Tax Act is based on consumption and use, so the builder, as final consumer, is looked at as paying the tax. On a delivered basis, as you say, he gets the relief.

Hon. F. S. Miller: I think one would have to look at the conditions under which an agreement was made. The intent of our action was that that person would benefit. I guess the second part of it would be how much risk was built into the original deal.

Mr. Laughren: Enough to make an adequate return for the builder.

Hon. F. S. Miller: I am simply saying the builder made a prediction that he or she would build a house for a set price and took the chance that material costs would change in the interval. The person signing the contract certainly would not have assumed that he would pay more if the price of lumber went up in the interval.

Mr. Laughren: But the builder certainly gave the estimate on the assumption that prices would not go down.

Hon. F. S. Miller: But there may have been some clauses in the agreement to say that the risk is shared. This is becoming very popular these days. As commodity prices normally go only one way, many contracts have escalator clauses built into them.

Mr. Peterson: Have you been buying gold or copper lately, Frank?

Hon. F. S. Miller: In my impecunious state, I am unable to participate in such speculative ventures.

Mr. Laughren: So what you are telling me is that's tough. The builder gets the benefit and the other guy pays the tax.

Mr. B. Jones: We cannot enforce the passing through. There might be a deal worked out between the buyer and the builder, but there is no way that we can force a settlement through.

Hon. F. S. Miller: I would hope that is the kind of thing that a builder, with a reputation to maintain for fairness and credibility, would discuss with the owner and be willing to pass that through.

Mr. Laughren: This builder told the fellow, "Do you want this house built without shortcuts, or don't you?"

Mr. Peterson: I am concerned every time these things happen. I think basically they are superficial and meaningless and don't really add anything new to the total consumption or total production; they just move it around a little bit.

All the studies say this is a dumb way to attack the problems in the economy, particularly problems of this magnitude. After all, \$260 million gives you a lot of money. If you decide to make that expenditure—it could be a direct expenditure or a tax expenditure—there are an awful lot of creative things you can do with that. I will get to that in a minute.

One of the things when you first brought it out—I was trying to show this with my upholstery example—is that you bring out such a complicated system, particularly when you start working selectively, that you invite cheating. The estimates now are that the black economy, the nonmeasurable part of the gross national product, in the United States is running up to 10 or 15 per

cent, and no one has a handle on this. It involves a lot of organized theft as well as a lot of incidental theft.

We bring in a system so complicated that it is becoming increasingly respectable to cheat or to have two bills of less than \$250, or charge it all up to labour as opposed to material, all that kind of stuff. Not very long ago I went to buy a painting and somebody said, "Pay me cash—no sales tax."

12 noon

The Acting Chairman (Mr. Ashe): Of course you said no.

Mr. Peterson: God damn it, I did say no. I wrote him a cheque and I paid the sales tax.

Hon. F. S. Miller: I have had exactly the same kind of temptation put in front of me and I resisted it.

Let me address the principle you brought forward of the barter market, if that is what you want to call it. The barter market—you are quite right—is a growing problem in all high tax jurisdictions.

Mr. Peterson: You have companies doing it.

Hon. F. S. Miller: But to a large degree it is a function of absolute tax rates, I would argue. It is the imposition of taxes that makes the barter market more attractive, as opposed to the illegal market, where goods may be stolen.

I would argue that, in principle, anything that reduces taxation generally reduces the desire to have the barter market go on, whether it is an income tax rate with post-tax dollars, or sales tax.

Mr. Peterson: I don't disagree with you, Frank. I just say the more you have, the more potential you have to sort of fool around with it. One of the things I would be striving for, and I recognize it is difficult, is more simplicity in these kinds of things. Every time you have a time in, time out, or a cutoff date on one of these programs, there are an awful lot of screw-ups and a lot of people end up getting mad.

You have obviously made a calculation about the net benefit, be it political or economic. It is my view that it is far less significant than you probably would think. How many jobs are you going to get out of that?

Hon. F. S. Miller: I made no attempt to guess that.

Mr. Peterson: You are the guy who is arguing for new tax expenditures.

Hon. F. S. Miller: I have been asked that kind of question in previous budgets, and my answer then was the same. People would say to me when I brought in the employment development fund, "How many jobs will it create?" I think I avoided the temptation to guess then.

I think I was asked when the small business development corporation legislation came in, "How many jobs will it create?" I could sit back knowingly, or look intelligent and say, "This \$260 million in my opinion will create 10,000 man-years of work in Ontario in the next eight months," and the papers would go away and quote it.

You would all have a field day about a year and a half from now looking at me and saying, "You made a prediction that there would be 10,000 man-years of work created, how many did you really produce?" I would come back and say: "Based on the Statistics Canada analysis of jobs created, we had 47,000 at this point and we had 52,000 at that point. I created 5,000 man-years," et cetera. And you would tell me that was all baloney.

All I am trying to say is that I am not trying to predict. I have a fundamental belief that the actions we took create jobs.

Let me give you one little example. I get a lot of letters following any budget move. A number of them are not congratulatory, and those are generally from people whose product has been discriminated against in their opinion. Concrete block manufacturers were a group after this last budget. Their objection was not to the fact that I took some steps to ease sales tax but that I did not include them. On the other hand, I got quite a few good letters this time—and telegrams, a surprising number of them, because those are hard to find any time.

One little one I think I quoted in the last few days came from a manufacturer of appliances in this province—a Canadian company, 50-odd years old, not big. He dropped me a note that said: "Just a reaction of one manufacturer. We produce appliances. The market has been soft. Three weeks ago we gave the necessary notice of termination to eight employees, which was to take effect on November 14. We have reassessed it and we were able to tell the men this morning that we will be able to keep them on. I know eight employees is not very important in the whole scheme of things, but it is one small improvement in the employment situation."

Mr. Peterson: One small step for mankind.

Hon. F. S. Miller: Okay. I obviously will not hear from the other, maybe 100, employers who took the same kind of action, or who were able to use people already on staff more beneficially. I am satisfied, though, that there are many such decisions and that those decisions, in sum total, are doing what we are aiming at with those tax expenditures; that is, helping us, for a six-month period, to transfer sales, and therefore jobs, into that period.

I accept your statement that the total increase in the market may not be significant. It is real, because there is no question some people make a decision to buy who would not have made any decision at any point to buy.

Mr. Peterson: Probably next June—that is your big month.

Hon. F. S. Miller: But we would hope we have fulfilled what we think is one of our major economic responsibilities; that is, to dampen the ups and downs of the cycle.

Mr. Samis: Can I ask a supplementary? Leaving politics aside—I will try to do it if you can—how did you decide on the six-month period and why?

Hon. F. S. Miller: I will never be believed when I say it wasn't totally political. First, I am a politician, and I don't think I can separate political measures from others. Anyone who is a politician and pretends they do is being incorrect. Does a dog bark? A politician thinks politically. So obviously I do think politically. I don't deny it or apologize for it.

It was done on the basis of technical and expert advice. The advice I was given from economists was that around June and July, the upturn in the cycle should be such that we would be past the worst. The second half of 1981 was seen as the section of the year when the economy would be regaining its strength.

Mr. Peterson: That program has been universally condemned.

Hon. F. S. Miller: It was the first half, then, that we needed to work on. June 30 was selected on a technical basis.

Mr. Samis: Was that done pre-Reagan?

Hon. F. S. Miller: Oh, yes. We will be quite honest with you. We have been trying to be ready. I think one of the responsibilities of Treasury always is to be ready to take actions, should we consider them necessary. We kept on, almost on the basis of every two months, thinking through a set of actions that may have seemed appropriate at that time, should we have felt they were necessary. We kept on delaying that kind of decision from about June of this year to November.

I would have probably been quite ready to go early in September with a set of actions, had I not then known that Mr. MacEachen was coming down with a budget. It seemed foolish to me to take any action in advance of his budget because I might find I was flying in the face of steps he was already taking with his money.

I went to Ottawa, as you know, on September 18 or thereabouts, with all the other finance ministers of Canada. At that time, because he

was asking for advice for steps to take in his federal budget, we offered him the advice that the industrial sector of Canada, as opposed to the very overheated resource sector in the west, needed special attention. We tried to point out in that discussion with Mr. MacEachen that we did not have a uniform economy in Canada that could be treated with broad measures across the whole country; that he needed to tailor his measures to the problems that existed in the various sectors and geographic regions of Canada.

We came in with about 10 points that Ontario felt had immediate job implications, one of which had the sales tax mechanism as the device. That is why, in advance of my mini-budget, when the press started asking me, "When are you going to do it?" I had to say, "Obviously, I cannot say."

Unfortunately, I left more clues this time than usual because I had approached Mr. MacEachen with a set of suggestions which are basically valid ones. So it did not take them too long to go through the list of things. We had even spelled out the fact that each province should be allowed, this time, to follow the route Quebec took in 1978. We thought it was quite proper that each province should look at its economy and make a decision that helped it with their tax dollars, more than, perhaps, their neighbours'.

Mr. Samis: That is what I want to ask you as a final question, then Dave can take over. Have you given any thought to the Quebec approach, instead of constantly playing with it in different sectors? You could be isolating certain sectors and making a permanent adjustment.

Hon. F. S. Miller: Again you have to understand that Quebec did not make them permanent right off the bat.

Mr. Samis: No, I realize that.

12:10 p.m.

Hon. F. S. Miller: It got into something of a political war with Ottawa and the people of Quebec ended up being in the best of both worlds. They got the cash benefit that Ottawa was prepared to dispense through the sales tax program, plus the reductions at Quebec's expense and they did very nicely.

We watched that with some interest and, frankly, from time to time, we take those steps with sales tax exemptions. We did it with manufacturing machinery where, for a while, the exemption remained temporary and was subject to renewal at the end of an expiry period and then finally became a permanent remission.

Mr. Peterson: One of the things we did, and I remember that debate very well, was to put an amendment in that act when we discussed it.

Mr. Dick will remember this; McKeough was the Treasurer then. We wanted an analysis after one year. Some people thought it was a waste of time.

I would argue with you that you need the discipline as Treasurer; your staff needs the discipline when they come to you with a specific program. It has to be costed and you have to do a cost benefit analysis in terms of the number of jobs and the objectives you want created.

I really believe that your response to my question is not the correct one. I know these things are difficult; the results are difficult to quantify whether it is 10,000 man-years of work or whatever; but good God, you have to have that kind of discipline and you have to have that kind of an analysis after the fact.

Hon. F. S. Miller: Let me again go back on the machinery sales tax exemption. My staff will correct me if I am wrong, but I am sure the study was done.

Mr. Peterson: It was, of course, because we forced it. We supported the amendment on the grounds that we would have a tax expenditure analysis.

Hon. F. S. Miller: I am always willing to let the opposition take credit for something we may have done anyway.

Mr. Peterson: I am telling you, you did not. There was a big fight with McKeough. Brock will remember and so will Rendall. I do not expect you to remember, you were not here at the time. But we put the amendment in saying we will support it—the NDP were very much against it, which is fair enough—on the condition that we do a tax expenditure analysis at the end of the fiscal period. It is not permanent, is it?

Hon. F. S. Miller: It is now.

Mr. Peterson: After that analysis it was to become permanent.

Hon. F. S. Miller: It became permanent before I was Treasurer.

Mr. Peterson: Yes. It became permanent after that. We, in the opposition, could look at it. Any of the economists could look at the thing and make their own judgements thereafter.

I see the glaring hypocrisy, Frank, of you making this great new thrust at examining tax expenditures if you have not done it in the very same document in which you advocate it. I think it is necessary; I think it is difficult; I think it is—

Hon. F. S. Miller: Okay. There is a big difference—the analysis of tax expenditures and assistance programs we are talking about in the billed terms of reference really will be

historic, in most cases, rather than a prediction. As I say, I could make a prediction and you would go away able to say I am wrong, or I may be right, or we will have to let time pass to tell.

The fact is, we can best analyse the effectiveness of tax expenditure measures, historically, well within a predictive sense. I would argue we need to look very heavily at those tax expenditures we make. The machinery equipment expenditure costs us about \$200 million a year, I would guess. Or maybe a little more. It goes up every year because expenditures are going up. But it was \$160 million a couple of years ago when I became Treasurer and I guess it edges up each year.

What benefit does the Ontario economy receive from that expenditure? We still collect about the same amount of money on machinery of one type or another. That is one of the most contentious issues in every pre-budget period because industry would like to pay no tax on any purchase of machinery, whether it was used in the direct manufacture of a product or whether it was used in the handling of a product, and we differentiate, as you know. We do it on the basis of cost only. We have determined that \$200 million is the maximum expenditure. In other words, the 50 per cent is roughly the maximum expenditure we are willing to have in that field right now.

It may be that a future analysis will show it is not as effective a tax expenditure as some other form of assistance that can be more targeted.

Mr. Laughren: What is that 50 per cent?

Hon. F. S. Miller: I would say roughly half of the equipment purchases or machinery purchases end up being eligible. They vary very greatly from industry to industry because one of the complaints we get from the industry was quite justified—it followed the pattern of the arguments you had on the tax on upholstery material—and that is the administration of that tax is quite complex and it is not easy to predict for some companies, whether they are purchasing a tax-exempt piece of material or a taxable piece of machinery. They will often argue that the machinery does change the shape or form of a product and the appraisers from Revenue will say, in their opinion, it is a transfer mechanism or device, like a conveyor belt or a forklift truck.

Mr. Peterson: Or testing machinery, for example.

Hon. F. S. Miller: Yes. So you get into a number of grey areas which are never easy to clearly define. And they keep on saying to us, "We waste a lot of time and effort, energy, anger

and frustration on these kinds of appraisals." We quite agree. We say, "And so do we, and we do not really enjoy them."

The first year around someone came to me and said, "If you are collecting 50 per cent, why do you not charge us three and a half per cent on everything?" That sounded very reasonable. Right off the bat I would get the same number of dollars tax and we would eliminate all this need to go in and do post audits on the eligibility of machinery.

Then the next manufacturing group will come along and say: "Just a second. In our business, 85 per cent of the machinery we buy qualifies; in their business 32 per cent qualifies. Are you going to transfer the benefit we have to them, when in fact we are living within the spirit of your tax requirement?"

Mr. Laughren: You are really big on universality anyway, are you not?

Hon. F. S. Miller: I got the impression that in terms of a relatively simple acceptable solution for the Treasury it becomes an unacceptable solution when one attempts to apply it.

Mr. Peterson: It is just my view, for whatever it is worth, that you need far better performance analysis than you have and I think you need it before the fact, when you make these decisions. Frankly, I do not know how you can make intelligent decisions except completely political decisions without knowing that. And then you analyse it a year later and you get your performance analysis so sophisticated you can make far better decisions in the future because we are competing for very scarce resources.

Hon. F. S. Miller: David, I have never felt—and I think I said this to you when we talked about the SBDC legislation in its first round and you were being fairly critical of its likelihood of success—

Mr. Peterson: We supported it.

Hon. F. S. Miller: I have never felt I had the market cornered on being right. I also do not feel I have to feel my honour is at stake when I am wrong.

I can only make a decision based upon my best assessment with the assistance of staff at a point in time. If, a year later, I turn out to be wrong, I do not think it is any great tragedy for me to say: "Fine. We did not get the results we expected and therefore we are not going to carry on." Many people find themselves out on a limb once they have made a decision and they will not back off. I think that is not wise, that is all.

Mr. Peterson: I share your view. But I am just saying in any exercise when you are expending

these kinds of moneys, hundreds of millions of dollars' worth of money, you must have some intended result in your own mind. I agree with you. You cannot quantify and expect a political result, except you did win Carleton. So God bless you; maybe that was what should have gone into the analysis.

Hon. F. S. Miller: I hardly think Carleton was in my mind when I brought in the mini-budget.

Mr. Peterson: A billion-dollar seat. I am being small, I am sorry.

Hon. F. S. Miller: We would have cleaned you there anyway.

Mr. Peterson: I have got about 10 more minutes and Floyd is going to harangue you all afternoon on this BILD program. What is the difference between the Board of Industrial Leadership and Development and the employment development fund? I gather Duncan is moving back to Treasury.

Hon. F. S. Miller: Duncan is back as of Friday.

Mr. Peterson: What about his bureaucracy? Who else?

Hon. F. S. Miller: He was seconded to our ministry and we will have three other people seconded or one brought in permanently.

Mr. Peterson: Why did you bring him back to Treasury as opposed to him being in Industry and Tourism?

12:20 p.m.

Hon. F. S. Miller: The most significant part of the budget, in my opinion, was the mention of BILD. The one that was the most pooh-poohed, both by the press and the opposition, was BILD. It was not a cosmetic exercise. You can argue about the absolute dollars you may inject into the process, and you may or may not be correct as to whether there will be as many more extra dollars, as we say.

The fact is, it is doing something I have heard almost all of you tell me this government should do, and that is, it is centralizing in the Ministry of Economics, specifically, a responsibility for all government economic policy development and review of programs that are related to economic development in all ministries of this government.

Mr. Peterson: So you are moving away from your previously stated policy of having a macro approach, whereas now you are—

Hon. F. S. Miller: Not a micro; don't give me that macro, micro—

Mr. Peterson: It is not a very micro move in that sense, but you are now taking over the

responsibility for operating programs which historically you have been trying to get out of. I am not disagreeing with you.

Hon. F. S. Miller: To my thinking, it will be a very very effective co-ordinating committee with powers to shuffle money that is being spent today, whether they be tax expenditures or whether they be moneys in existing programs. It will have the right to review the impact of those programs, and to use the money better if we have better ways to do it. I trust it will work that way, and that is our intent.

I would say I am excited about that program more than almost anything that has happened since I have been in Treasury.

Mr. Peterson: What is the difference between that and the EDF?

Hon. F. S. Miller: The EDF was specifically a response to requests for assistance from industries under a program that was laid down with an absolute ceiling for dollars. In this case, BILD will look at all government programs and program development that is economically related, will co-ordinate, and will have powers to recommend changes in those programs.

It is more far-reaching. Here we have potentially \$2 billion a year of expenditures that are now subject to the review of this operating group.

Mr. Peterson: That is not new money.

Hon. F. S. Miller: I am not arguing that it is new money. I am simply saying to you that you would tell me I need an industrial strategy. You would tell me government needs to co-ordinate its activities. I tell you we are doing both in BILD.

Mr. Peterson: It is so lacking in specificity, to quote your federal leader, that I just don't know what the hell you are going to do. There's less money committed than you committed to EDF.

Hon. F. S. Miller: EDF has ongoing money built into budgets that, off the top of my head, would come to about \$65 million to \$70 million next year at least, apart from the moneys we are talking about here. The other thing that was missed in this little budget in terms of, let's say, the favourable review—I don't really even see any in the areas of the province that were affected by it—was our rural assistance. It is small, but it is about \$1.1 million in the current year—

Mr. Peterson: It's a fine way to grow trees.

Hon. F. S. Miller: —and about \$21 million over five years. There are some programs that don't take a great deal of money but which I think have benefits that stretch far beyond it.

You know, the other passion I have—though we are not on that. My years in the Ministry of

Natural Resources made me a passionate advocate of the forests of this province. And when one looks at the parts of the province that are extremely productive, they happen to be south of North Bay.

Twenty-five per cent of the total wood production of this province comes from 10 per cent of the land, which is an interesting factor. Now climate has a great deal to do with what I am talking about, depth of soil, all the problems that one faces when you get into the northwest particularly. But we have under-utilized forest resources in this province, on private land, that are a shame to me. They are not subject to the direct control of the government. We have to have programs therefore that induce better management of those resources and through the kind of program we have in that rural package, I hope we will see some of it.

Mr. Peterson: My friends in the NDP who understand this question a lot better than I do, and some of our northern members, have been yelling about this as long as I have been in the House. And if you read the history of this province, it was a problem with Howard Ferguson.

I appreciate your commitment to it and from what little I know I happen to share it, but good God, don't come in here and plead the road to Damascus on this thing.

Hon. F. S. Miller: I am not trying to. I am simply saying, in a small way, that program was very important to me. It is probably all of the money that can usefully be spent right now and it is not necessarily limiting the amount that would be spent.

I found one thing very quickly with forests: that suddenly pumping more money in did not solve the problems. The first question I asked my foresters when I went to Natural Resources — because I had really a commitment in going there — was that I be allowed to put money into the forests.

Mr. Laughren: You must have been mad at Leo Bernier when you moved in there.

Hon. F. S. Miller: Do not get me into these arguments now.

How much more money can you spend this year usefully in upgrading the forestry programs? I was surprised at how few dollars it was, because one has to go into the requirement for new seed selection and availability, more nurseries — they have to have very specific soil sites, et cetera — and you realize that you cannot suddenly plant trees because you want to. You have to have seedlings, seed, et cetera, to do it.

The next step we took, and I am very proud of it, was the acceptance of Professor Ken Armson's report that really, until we unify the harvesting

and reforestation functions, we are running a divided and competing forestry operation. I think, if I look back at things I am proud of in my years in politics, those are probably more important to me than most I have done.

Mr. Peterson: No one disagrees with that. You put a portion of \$5 million into that. Nobody squawked about that. Floyd did not squawk about it. I didn't squawk about it.

Hon. F. S. Miller: But you see the problem is I also got no credit for it. None of you stood up and said —

Mr. Peterson: I did. I stood in the House and said it was the only good thing you did in the whole damned thing. I did. And you know this Hydro rights thing is just subterfuge and nonsense as far as I am concerned, and how you can construe that as investment in industrial development is absolutely beyond me.

Mr. Chairman: Speaking of nonsense, we are getting on to 12:30 and if I recall you had an engagement for lunch.

Mr. Peterson: No, I have to get out of here this afternoon. But I just want to say that I hope Floyd will make a decision that we don't have to come back next week.

Mr. Laughren: I will send you a copy of my mining machinery speech.

Mr. Peterson: Just let me get one final paragraph because I have to sum up my views on this thing, which I have done, but I want to do it again.

It is my view, and our view, that the state of the economy is serious. It is going to need a serious sectoral investment approach. I think you, for want of a better word, dissipated \$260 million for questionable purposes.

I would have much rather seen that money go, by way of straight expenditure, into the so-called BILD program. What you are going to do with it I have no idea, and I am not even sure you know. As a matter of fact, I am sure you don't know. But anyway, when you figure that out, be prepared to make some of the very tough decisions that are going to come along. I don't have any problem.

Hon. F. S. Miller: I think, again, I don't really have too much of a problem making tough decisions. My track record —

Mr. Peterson: Your problem is making dumb decisions, Frank.

Hon. F. S. Miller: Well, it is always your right to interpret it that way. I certainly would go back to my Health days where I was never accused of not making the decisions. I certainly was accused of making dumb decisions.

Mr. Chairman: The committee will recess until 2 p.m.

The committee recessed at 12:29 p.m.

SPEAKERS IN THIS ISSUE

Ashe, G.; Acting Chairman (Durham West PC)

Cureatz, S.; Chairman (Durham East PC)

Laughren, F. (Nickel Belt NDP)

Miller, Hon. F. S.; Treasurer, Minister of Economics (Muskoka PC)

Peterson, D. (London Centre L)

Samis, G. (Cornwall NDP)

From the Ministry of Treasury and Economics:

Dick, A. R., Deputy Minister

Jones, B., Executive Director, Fiscal Policy Division

McColl, D. S., Director, Finance Management Branch

McIntyre, G., Assistant Deputy Minister, Office of the Treasury

Stouffer, D., Senior Budget Adviser, Pension Policy, Taxation and Fiscal Policy Branch



No. G-9

Legislature of Ontario Debates

Official Report (Hansard)

Standing Committee on General Government

Estimates, Ministry of Treasury and Economics



Fourth Session, 31st Parliament

Wednesday, November 26, 1980

Afternoon Sitting

Speaker: Honourable John E. Stokes

Clerk: Roderick Lewis, QC

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LEGISLATURE OF ONTARIO

STANDING COMMITTEE ON GENERAL GOVERNMENT

WEDNESDAY, NOVEMBER 26, 1980

The committee resumed at 2:12 p.m. in room 228.

ESTIMATES, MINISTRY OF TREASURY AND ECONOMICS

(continued)

Mr. Chairman: I think we could see a quorum. The critic for the NDP is very anxious to bring forward some thoughtful criticism of the Treasurer in the handling of the funds of the province of Ontario.

At this time, we will be turning to Mr. Laughren for inquiries, statements and questions of the minister. As I recall, the committee agreed this morning that the critic for the Liberals has completed all his questioning and was leaving it to you to decide whether to complete the estimates today.

Mr. Laughren: Mr. Chairman, I noticed a very high correlation between the efficient running of the committee and the brevity of your opening remarks.

Mr. Chairman: Does that mean the brevity of the committee?

Mr. Laughren: I wanted to respond, for a few moments, on the mini-budget. It was a strange thing to have happened, to have supplemental budgetary actions take place in the middle of the Treasurer's estimates. I don't know whether that has ever happened before.

Hon. F. S. Miller: It was poor timing on my part.

Mr. Laughren: It certainly was. It was very unusual to allow the opposition the opportunity to respond. As a matter of fact, the time for these estimates, 15 hours, is not a long time for a ministry like Treasury.

I wanted to go into a little more detail than the initial response we had on the evening of the mini-budget because what kept coming through to me as I was reading the document in the lockup was that—

Hon. F. S. Miller: Would you explain that for the sake of those who read Hansard? We would hate to have them believe you were incarcerated.

Mr. Laughren: I was visiting one of my colleagues.

The thought that kept coming through to me was it was the kind of mini-budget that didn't do anyone any harm but, on the other hand, it did not help those who needed it the most, whether it was individuals or sectors, or whether it was the economy as a whole.

That was why I had so much trouble with the mini-budget. I spent a long time trying to think of some nice things to say about it, knowing you needed a little pick-me-up.

I had great difficulty finding anything good, particularly in view of the fact that you had been so critical of the federal government and its statement, which you correctly assessed as being an energy statement rather than a budget. You stated it would not do anything to solve the structural problems in the Canadian economy and, particularly, did not address itself to the problems in Ontario. Then, two weeks later, you bring down a mini-budget which can be criticized for exactly the same reasons.

For example, you are very big on the Board of Industrial Leadership and Development program. I found that strange too. One week you are heaping praise on the employment development fund, and all that it has done for Ontario, and the next week you are abandoning it; which is a very strange way of showing how enthusiastic you are about it.

Nevertheless, I understand there are certain inconsistencies in the Treasurer. The argument could be made that consistency is the hobgoblin of small minds, and if that is any consolation to the Treasurer, I will leave it with him.

The Treasurer selected some sectors which he felt it would be useful to stimulate. He admits it is a short-term, six-month stimulation. I don't think that is debatable; we certainly would agree on that.

It is funny that I had talked about the electrical products sector and appliances in my leadoff statement. Certainly I agree it is an area that needs to be looked at by the Ontario government. We would probably disagree on some of the statistics concerning that sector, but we would not disagree on the need to do something about it.

The figures I was able to get from both

StatsCan and from Industry and Tourism show that trade deficit in Ontario last year was around \$75 million, and that the imports ran at about \$133 million. When I translate that into jobs—admittedly not a sophisticated translation—I come out with about 1,700 direct jobs. If we use the two-for-one figure, then we are talking about a potential for over 5,000 jobs in that trade deficit portion alone.

Then I wondered what proportion of those imports are being exempted from sales tax—and this is where we may disagree on numbers—and I figured out that about 42 per cent of the value of the imports in the major appliance group is in that exempted group, which is a pretty high proportion of imports.

I think of what needs to be done in that sector and of what you did, and I get very frustrated. Because you really have not addressed yourself to the problem of the appliance or electrical products sector at all. I don't have the list with me, but I think there are seven classifications in industrial products, of which appliances is only one, and in only one out of seven, electrical wire and cable, do we have a surplus.

Looking at those figures, I think of the enormous potential there is to do something. I used a line, that night of the mini-budget—I was very serious about it—I said we could be turning these adversities into advantages and opportunities. When I see a large deficit or incredible import penetrations in a sector, I see that as not just a problem we should wring our hands over, but as a tremendous opportunity to move in, create jobs and create new wealth in Ontario.

When I look at what is happening with the major appliances—let's stick to major appliances for the moment—I see what has happened to the Ontario market and how that Ontario market is being met. The Ministry of Industry and Tourism claims that in 1966, imports met about 13.5 per cent of the Ontario domestic market. In 1971, it had jumped to 19.9 and in 1976 to 29.9. So it has more than doubled in the 10-year period between 1966 and 1976. That means that we are increasingly unable to meet the needs of our own domestic market with our own production here in Ontario. That is very serious.

If the response of the Treasurer, as the steward of the Ontario economy, is to cut sales taxes, then I respond, in turn, with scorn. Really, as the Treasurer admits, the sales tax cut is a short-term stimulation. We are not quarrelling about that, but I would ask the Treasurer why that is the only action he took. Why is it a short-term response?

Let me anticipate for a moment the Treasurer's response: "That is why the Board of Industrial

Leadership and Development is there. BILD is there to take a look at the various sectors which will need stimulation and to what extent it needs government input and leadership, and whether it is a high technology area." I can just see it now. This is just for my own sake, to help me to formulate my thoughts. I am anticipating.

2:20 p.m.

Hon. F. S. Miller: It certainly saves me from having to say anything, because you are right.

Mr. Laughren: I am not yet through with anticipating what the Treasurer would say. I would simply ask him what more information he needs.

The sectors which are screaming for attention are numerous. It does not need the Board of Industrial Leadership and Development to tell him that. It is there already. All the data is there; everything you need to know about the sectors in trouble is there now. If you need any help, I would be glad to help you. Those sectors are screaming, in some cases for attention, in some cases for intervention, and in other cases for leadership, but they are not getting it.

A sales tax cut is, by your own admission, a six-month solution, and it does not solve any of the underlying problems. For the Treasurer to think that that is providing leadership for the Ontario economy is simply outrageous.

It is not surprising that you are getting Duncan Allan back in the ministry. I assume it is to provide some muscle in Treasury. Why else would you bring him back? You were chairman of the Employment Development Board, I believe; presumably you will be chairman of BILD. Why are you shifting the packages around on the shelf, as it were, when the potential is there to do so much more?

I really feel you have played fast and loose with the Ontario economy by again refusing to intervene. I understand the kind of intellectual and ideological straitjacket you are in, but I think it is time you cast that off.

Mr. Chairman: Mr. Laughren, are you looking for the Treasurer to make a response?

Mr. Laughren: I will tell you when the Treasurer should respond, Mr. Chairman.

Yesterday afternoon we were in a committee room. A group of students from Trent University was there. The Treasurer was there first—this is the natural order of things—then the Liberal critic and then I was there.

When I walked in, the students said—I am paraphrasing, of course—"What are you going to say to us?" Mr. Peterson and Mr. Miller told us how important it was to intervene in the marketplace. What room does that leave for a New Democrat?" I told them there is a difference in

intervention. The Treasurer thinks cutting a sales tax is intervening in the marketplace, and somehow causing the economy to take on new life. I don't see that as meaningful intervention in the marketplace. It is really an excuse for doing so little.

I also looked at household furniture, and that is why I wondered about the figures you were using this morning. I see a very significant deficit in household furniture in Ontario. The figure I have shows a \$45 million deficit in household furniture. I stand corrected if that figure is incorrect.

In building products, there is a trading surplus, but for actual household furniture, I believe we have a deficit. What kind of stimulation do you think your tax cut is going to provide there? If I translate that deficit into jobs, I come out with about 1,200 jobs in that sector alone. I am not talking about replacing all imports, which would be simplistic; I am looking at the deficit.

Once again I stress that the Ontario government is making serious errors in refusing to deal with import replacement as the direction in which to go. Perhaps you have been seduced by Larry Grossman's global product mandating ideas and trade missions around the world to stimulate exports. I think that is a snare and a delusion, as they say, and a real smoke screen. It avoids the real problem. The real problem is the degree of import penetration. The Treasurer simply will not deal with that because it means intervening substantially in the marketplace and he is not prepared to do that. It could be done by joint ventures, crown corporations and so forth.

In the Legislature yesterday, the Minister of the Environment (Mr. Parrott) stood up and announced that he was going to form a crown corporation. Isn't it something that the only time we have crown corporations is to deal with liquid industrial waste?

Mr. Rotenberg: There are one or two others.

Mr. Laughren: I agree with that proposal. I am not quarrelling with that idea. The government can use a crown corporation as, almost literally, a dumping ground, but they don't see it as having enormous potential in economic development as well. Surely it is there.

I will not make the mining machinery speech again because David Peterson is not here, but I could certainly make those arguments again. The potential for crown corporations to create new wealth there is very substantial.

I know why the Ontario government is practising restraint. Like other governments, it is in a period of retrenchment. But you cannot go on redistributing the same amount of wealth; you have to create new wealth.

Given the state to which the various governments in this country have allowed the economy to decline, I am not surprised the public sector is in a state of crisis. What makes me so angry is that it is all so unnecessary. It is not easy to resolve it, but it can be resolved. Standing back and wringing your hands, the way the Treasurer does, and blaming Ottawa is not going to solve anything at all.

Dealing with the major appliance field, I would ask the Treasurer whether or not he is prepared to take a more serious look at that sector and see if we can turn the problem around. That increasing import penetration should be of concern to the Treasurer.

Hon. F. S. Miller: You have taken the supplementary actions and the sales tax reductions as if they were the only response we would have to the problems you have discussed. Obviously they are not the only response. They are, as you have quite accurately stated, a short-term response.

The structural problems you talk about have to be dealt with. You were quite accurate when you said that to a large degree I am pinning my hopes upon the efficiency of the Board of Industrial Leadership and Development to start looking at the longer-term solutions in addition to those things we have already been doing. It is not as if we are starting from scratch. We are trying to co-ordinate better the approaches of ministries which share some parts of the same objectives.

One quickly learns in government that you cannot, neatly, give the full responsibility for many programs to a single ministry because of the obvious spillover effect into neighbouring ministries. If one looks at an industrial strategy and tries to sort out the components of it, obviously skill training will come in, and even skill training does not neatly fit into one ministry. You will find Colleges and Universities and Labour involved in that, and so on.

The size of government and the nature of government makes it difficult, at times, to bring together the programs of ministries with common intersects of interest. Perhaps we have done it to a degree through the policy field system, but even that hasn't been totally perfect, because when one looked at the ministries which had some responsibility for industrial and economic development, one found them in two of the three fields. I don't think we had Justice in there, although Consumer and Commercial Relations could easily be said to have a direct impact on it at times, so it is in all three fields, plus the general government side of the ministry.

2:30 p.m.

The increase in the capacity of individual ministries to do economic studies in their areas of expertise and basic responsibility has also proliferated the opinions being expressed on the ways to solve certain problems. That is all good, providing one can harness together and have some focal point for the energies. That really, in my opinion, was the major reason for creating BILD.

Mr. Laughren: What more information do you need?

Hon. F. S. Miller: I am not arguing about need. My experience in life is that you always need more information on any topic. But put our researcher out to study land use planning, put him out to study anything, the first recommendation is invariably, "There is need for more data." If a consultant does not tell me that in the first line of the recommendations, he is not interested in his future, for one thing, and second, he is not true to his profession.

We will always have to have more information about all kinds of things, but you are quite right. As an engineer, I am a person who has always believed in making certain decisions on the data currently available.

Mr. Laughren: Would you agree that, for example—and I use this only as an example—there is enough information available which says there needs to be something dramatic and substantial done in a couple of sectors, like auto parts and mining machinery?

Hon. F. S. Miller: No argument.

Mr. Laughren: And there is adequate data available now?

Hon. F. S. Miller: I do not know how adequate the data is. I have been trying now to define what will in fact stimulate that.

Mr. Laughren: It is pretty awesome.

Hon. F. S. Miller: It is not quite that simple. As you probably know, we have written a couple of letters to Mr. MacEachen on auto parts expressing Ontario's three principles which we enunciated for the auto field, saying exactly what you are saying.

There is need for combined action at the federal level. We do need their assistance; I am not passing the buck or blaming. I am simply saying since trade fundamentally is controlled by the federal government across foreign borders, we need their assistance. I would be interventionist enough in that area to agree with the United Automobile Workers' president in the United States, Mr. Fraser, who says there is a degree of protection needed for that market for a period of time while adjustments are made in the North American technology and product lines.

Mr. Laughren: You are going to use the industry argument of the auto industry in the United States. At any rate, carry on.

Do you realize how ridiculous this sounds? The auto pact has been in such difficulty for so long for us in Canada, and now you are saying what we need is more protection for this very sophisticated industry.

Hon. F. S. Miller: I am talking about the North American market.

Mr. Laughren: Boy, oh boy.

Hon. F. S. Miller: You can argue as much as you want about it. I did not find—

Mr. Laughren: You know why they are in trouble too, don't you?

Hon. F. S. Miller: Mr. Fraser—

Mr. Laughren: Never mind quoting Mr. Fraser. You know why the auto industry is in trouble. Because they were greedy and because they were making more money on their big car market.

Hon. F. S. Miller: But he refuted that.

Mr. Laughren: You know that.

Hon. F. S. Miller: He refuted that. It is very interesting to have a gentleman, who had beside him one of your good colleagues, Bob White, sit in the Premier's board room with a mixed group—in other words, not talking just to government, talking to people like Mr. Bennett, of Ford Motor Company of Canada; I could name two or three more industrialists, but more important members of other unions like Cliff Pilkey, members of the academic community who were present—and enunciate what he believed to be the problem with the North American automobile industry and make perhaps one of the stronger defences for the manufacturers I have heard yet. The very area where one would expect one to heap scorn upon the manufacturer and blame them for all—

Mr. Laughren: Trying to protect their jobs.

Hon. F. S. Miller: Not that so much. No, I thought he gave one of the more statesman-like presentations on it.

Mr. Laughren: Who?

Hon. F. S. Miller: Mr. Fraser did in this particular meeting back in about July, if I recall correctly, where he said it is easy to fall into the trap of blaming the industry for all of the problems that have resulted: lack of investment in automation; lack of quality control; unwillingness to adjust to the obvious demand for the smaller vehicle, et cetera.

Mr. Laughren: Yes, and you know why.

Hon. F. S. Miller: Then he refuted each of those very neatly, one by one, pointing out that

in fact the automobile industry, as far back as 1960 with the advent of the Corvair, the Falcon, the Valiant lines—

Mr. Laughren: It was the UAW that was telling them to, urging them and pushing them to get into the smaller cars. It was.

Hon. F. S. Miller: I question whether there was pushing either way. But he then justified it by saying whether you liked it or not, the markets kept on returning to the product that was in demand and you kept making the products that were in demand because your attempts to make the other were just not working out too well from a profitability point of view.

I am not an apologist for the industry; I am repeating what he said. And he said now we have had, because of the combination of shortage of oil in the United States for that brief period of time a couple of summers ago, and the rapidly escalating price—I would guess about \$1.80, \$1.90 a gallon in the United States now—you have this sudden market shift.

You have also seen an industry created in the last 20 years, and therefore having all the advantages of an industry being built with today's technology right from the beginning, whether it is a steel mill in Canada which suffers from the same advantage—in other words, it would have relatively good technology—or whether it is an automobile industry in Japan, or a pulp and paper mill in Louisiana—

Mr. Laughren: I am glad you are making these arguments, because we have the same opportunities in some of the high technology areas like electronics.

Hon. F. S. Miller: I am not arguing. You and I share—

Mr. Laughren: You are not arguing. You are just sitting back, waiting for something to happen.

Hon. F. S. Miller: I can only tell you that I think a significant change occurred at that point. You are going to say it did not, or it is too late, or ask, "Why are you so slow coming?" I can only tell you I can only deal with today, not yesterday.

Mr. Laughren: That is all I am asking of you.

Hon. F. S. Miller: All I am trying to do is to rectify some of the problems you keep repeating each year. I accept them as being very real. Yes, I want to reduce our dependence on foreign-produced machinery.

Mr. Laughren: Have you told Larry Grossman that?

Hon. F. S. Miller: I have met with MEMAC, is it? The Machinery and Equipment Manufacturers' Association of Canada.

Mr. Laughren: Yes, MEMAC.

Hon. F. S. Miller: I have discussed that with them. We are looking at ways and means of doing that. Yes, I want to see the North American automobile industry make that conversion.

Again, it is nice to hear a union leader taking a stand that is not going to be popular with his members and say clearly, whether we like it or not, if the North American automobile industry is going to survive, we will have to go to more robotization and quality control and awareness that we have a responsibility, as producers and workers, to be concerned about the stuff we put out the door.

He is a spokesman far more credible to the vast majority of the workers than the president of any company ever can be when he enunciates those things. If a president says those things, he is automatically suspect. You would buy that.

Mr. Laughren: No, you are wrong. I think what Walter Light is saying, for example, is completely credible.

Hon. F. S. Miller: I simply found the presidents of both the unions and the corporations agreeing that they had a similar set of problems and required a similar set of solutions and they needed to work together to solve them. But they also argued that they needed these three years, as I recall, of some degree of protection against import penetration to make the change over effective.

Mr. Laughren: That is not our problem in Ontario.

Hon. F. S. Miller: No, it is not our problem in Ontario, but we are very much affected by it. With 70 per cent of Ontario's output in automobiles going to the US market, and with 30 per cent of the US market being supplied from offshore, it is obvious that any change in the US market will have more impact upon output here than anything I can do within the province. Do you buy that?

Mr. Laughren: Yes. You must be terribly unhappy with what is happening in the auto industry.

Hon. F. S. Miller: I am not happy.

Mr. Laughren: And you must be terribly unhappy with what has happened with the auto pact.

Hon. F. S. Miller: We have made some presentations to our colleagues about it.

Mr. Laughren: You are not unhappy with that?

Hon. F. S. Miller: I am unhappy with the present imbalance in parts; I am very unhappy with that. The automobile manufacturers will argue that we got our just desserts. They will claim we stressed assembly and got assembly. However, that is beside the point.

Mr. Laughren: Yes, but I would put it to you that the negotiators had no idea the results of stressing assembly would be so disastrous. That is living in the past anyway.

2:40 p.m.

Hon. F. S. Miller: Disastrous relative to what could have happened, not disastrous relative to what was happening. I think one has to understand that, in my opinion, we are in a better position because of the auto pact than we would have been without it.

Mr. Laughren: No, I do not believe that, and do you know why?

Hon. F. S. Miller: Why?

Mr. Laughren: I believe that by now, if we had not had an auto pact and the deficits had continued, we would have gone into automobile manufacturing in this country with a Canadian car.

Hon. F. S. Miller: I do not think so at all; I just do not think that is realistic in the world market.

Mr. Laughren: I think we would have. I am not saying we will now.

Hon. F. S. Miller: The day is here when there is no such thing as a car made in a country.

Mr. Laughren: That was the time, 1965, when the debate was going on within certain circles in Canada, whether or not we should have a free trade pact with the US or we would have to develop our own car. Basically that is what the debate was.

Hon. F. S. Miller: But the Canadian consumer does not want a single Lada product on the market, it wants a wide range and variety of products from which to select. Even the wide North American range no longer comes close to meeting the needs of a discerning public.

Mr. Laughren: We have a very lucrative market in this country.

Hon. F. S. Miller: Sure we do, but it is still a small market relative to the car business. One million vehicles, right?

Mr. Laughren: A million, yes, but it has been a more lucrative market than the US market for the auto manufacturers, since the auto pact. It has been more lucrative for them than their own market.

Hon. F. S. Miller: I have been concerned about the pricing of, say, the Japanese product in this country and we have passed that information on. I do not know if you are aware that they price them cheaper here than they do in the States. I have seen several remedies suggested and I, for one, would think that those remedies should be applied.

Mr. Laughren: The duty remission thing is something—have you pushed the federal government?

Hon. F. S. Miller: We have been proponents of duty remission, yes. They refused duty remission on boats recently.

Mr. Laughren: I was looking at the jobs comparison in the MacDonald report on the auto industry which came down recently and it shows that 75 per cent of the workers in the industry have unskilled jobs in Canada versus 50 per cent in the US. That is a major problem for us. It really is symbolic of the auto parts sector—our workers being employed in assembly rather than auto parts. That is why we were pushing last week for more government intervention in the auto parts sector.

Hon. F. S. Miller: Let me just pause for a second, though. First, I accept the fact that we would like the jobs with the higher skill content in our country and, second, that we would like more parts procurement within this country, whether they are going to be realizable objectives or not.

But third, I am caught with the conundrum that currently faces many parts producers in this country. I heard from one as recently as Monday night, who told me that the limitation today on his ability to fill more of General Motors' orders to him is his availability of skilled labour. He simply cannot pick it up.

This gentleman went on to tell me that, while he is a small producer with 85 employees which has grown from 20 in some five years, and he has had inhouse programs for the training of almost all of his own people as many smaller companies have done, he simply cannot produce the skills fast enough to keep up with the potential demand in product.

Mr. Laughren: That is the same as the Jarvis Clark syndrome in North Bay.

Hon. F. S. Miller: Yes. What I am trying to say is, that at the same time as we have that phenomenon occurring, we also have a great number of unskilled—mismatched is perhaps a better term—unemployed. I am very anxious to get all categories of people at work; I am very anxious to create more skilled people because they will find jobs, but also very anxious to have jobs where lower levels of skill may be acceptable because there are people available immediately for those jobs.

Mr. Laughren: Absolutely, but your government is just piddling around with skills training, it really is. If you look at the need out there, the problems that all this is causing, you really are more vulnerable on this than on most issues.

Hon. F. S. Miller: I can say only this to you, that if one plots a curve and takes a tangent to the curve, they may appear to be the same thing.

Mr. Laughren: Be careful now, I am more qualitative than quantitative.

Hon. F. S. Miller: I will take the first derivative then.

Mr. Laughren: Just compute the slope and get on with it.

Hon. F. S. Miller: But the world often looks flat from the point you may be on the curve, that is what I am trying to say. The curve is in this case coming close to exponential and, in the first two years of the programs that Bette Stephenson has been having for stimulation of skill training, we have seen her projected numbers exceeded by close to 100 per cent each year, with projections which will exceed next year by almost 100 per cent the numbers of people entering those courses. That is not too bad.

It is all relative. In other words, we are getting a head of steam on it, we are now facing the problem—and it will be discussed, I am sure, in the plant closing legislation and so on—of the great need to find space and co-operation in industry for the acceptance of more apprentices and some degree of protection. To give them credit, the unions, I think, are now relaxing some of their relatively tough rules on ratios and I am now willing to say that we need to work on industry more to create the opportunities.

Mr. Laughren: Last week in the Legislature—I think you were away—we were pursuing this with the Minister of Industry and Tourism (Mr. Grossman), when the MacDonald report came out in the auto industry. We read it quickly and came up with some suggestions.

The MacDonald report is a pretty substantial document. I do not know how many reports and studies and commissions we are going to have in the auto industry before someone does something, but it just does seem to go on forever. What we proposed, and I wish the Treasurer would think about it seriously and not just reject it out of hand the way he tends to with suggestions that involve any kind of meaningful intervention, was that there be a crown corporation in the auto parts sector to do precisely the following, and I will be very precise:

One, engage in research and development work, including computer-aided design and computer-aided manufacture. That would be one of the roles of the crown corporation.

Two, enter into joint venture projects with Canadian auto parts companies; and, third and finally, to negotiate long-term sourcing contracts with North American—and even Japanese,

I would suggest—companies for both original equipment and the aftermarket—replacement market, whatever.

Those are the reasons we feel there needs to be a crown corporation developed in the auto parts sector. I look at the figures and I look at our trade with the US on parts and accessories and last year we had, just with the US, a \$3 billion deficit in auto parts. The number of jobs that represents is incredible.

Secondly, the future does not look any brighter because of the investment intentions of the industry. They do not intend to give us our fair share. The Treasurer knows that; we went through that before, I will not repeat all the figures; but there is no intention on the part of the industry to give us our fair share in the 1980s—no intention whatsoever.

They are very blatant about it, quite open about it. They say they are going to spend so many billions of dollars in the future and we are going to get so much.

I will be precise. In 1981 they are going to spend \$5.6 billion in the States, \$480 million in Canada. This is from StatsCan. That is a shortfall of \$340 million.

Hon. F. S. Miller: How did you come to that conclusion?

Mr. Laughren: Based on the proportion of investment compared to the percentage of the market. We have about 9.3 per cent of the North American market.

Hon. F. S. Miller: I would have used 10 as a rough figure.

Mr. Laughren: I will be happy to use 10. If we get that percentage of the market then we should have—you cannot nail it down to the tenth of a percentage point precisely, but we should have a proportional part of the new investment.

2:50 p.m.

Hon. F. S. Miller: If you use your figure of 9.5 and you multiply 9.5 times 5.6, you would come very close to \$500 million, would you not?

Mr. Laughren: Nine per cent of five, yes.

Hon. F. S. Miller: So your shortfall was only about \$20 million then.

Mr. Laughren: It is closer to \$6 billion total. In the US, they are going to spend \$5.6 billion and in Canada, \$480 million, so it is a total of \$6 billion actually and out of that only \$480 million in Canada. StatsCan computes that as a shortfall of \$340 million.

In 1982 they figured—I could give you the precise figures—the shortfall is \$515 million; in 1983, \$520 million; in 1984, \$560 million; and in 1985, \$650 million. That is where we got that

five-year period, from 1981 to 1985 inclusive, in which there would be a \$2.5 billion shortfall in new investment in Canada.

Most of that, as you know, is in Ontario. That is why we say, if you have an alternative to a crown corporation in the parts sector that will turn that around, we would like to hear about it, but all we hear is that you have written another letter to Herb Gray, and that some commission is going to report. That is simply not good enough, there is too much at stake in the Ontario economy, and it is not getting any better.

Hon. F. S. Miller: I would have argued that if one looked through the Employment Development Board's decisions, a good number of the manufacturing investments were in auto parts plants. Most of those decisions we felt were affecting corporations that could have gone to the States.

Mr. Laughren: You are scrambling to protect what is there. You are not doing anything to turn it around to get us our fair share.

Hon. F. S. Miller: My friend, that decision was made when it could have gone across the border, and I cannot help but say we got a positive result from our intervention.

Mr. Laughren: Fine, you scrambled and you saved what was already there.

Hon. F. S. Miller: It was not already there.

Mr. Laughren: Did you buy anything we did not have a right to in the first place?

Hon. F. S. Miller: The word "right" has no—

Mr. Laughren: I happen to think there is a spirit of the auto pact they have an obligation to live up to. You obviously do not think so or you would say it was a right to have that kind of investment.

You could argue all you like about the employment development fund and the grants to the auto parts sector, but it is getting worse. The problem with auto parts is getting worse, it is not getting better.

I see you doing nothing to turn it around, particularly when they telegraph to you: "You think you have it bad now. It is going to get worse because our intentions in the years to come are to increase the shortfall of investment for Canada."

They do not care; why should they? They are acting rationally. They are getting on with their intentions to erase those boundaries between nation states and rationalize their own operation. Why should they care whether Ontario has 300,000 people unemployed or 200,000 unemployed? It does not matter to them. That is the nature of the beast; I understand that.

You do not hear me railing against the auto industry. I understand what motivates them. I am railing against you because you have an obligation to intervene.

Hon. F. S. Miller: And I am, here.

Mr. Laughren: But you are not intervening, you are not doing anything about it.

I do not think I am being unfair either. If you have other figures that show we are going to get our fair share of investment in Canada in the next five years, contrary to the figures the industry itself is producing, I would like to hear them.

Hon. F. S. Miller: I would argue Ontario has done quite a bit within its own resources and we really do need some federal assistance in a number of ways.

Mr. Laughren: You can say that forever, can't you? It must make you feel comfortable and secure.

Hon. F. S. Miller: The fact remains. You can attack me forever because I happen to be elected at the same level as you are and you do not like to admit I do not have all the powers in the world to do all the things that should be done.

Mr. Laughren: I am saying you have more powers than you are using, that is what I am saying.

Mr. Charlton: Would that we had the powers you have.

Mr. Laughren: Would that I had your power.

Hon. F. S. Miller: When I use it, do not be too critical.

Mr. Charlton: You need us.

Mr. Laughren: You sure do need us, because without us you have no imagination.

Hon. F. S. Miller: And no need for sleeping pills.

Mr. Laughren: I was talking about our trade with the US, but if you look at the world figures I see that Canada's trade—and once again this is Ontario basically—looking at the first six months' figures for the last three years, for instance, right up to mid-1980—only on auto parts and accessories, because that is the part I want to deal with, not the assembly—in 1978 we had a \$1.87 billion deficit for the first six months. In 1979 it was \$2.1 billion. And in 1980 the auto parts and accessories deficit was down to \$1.628 billion, but that is because of the overall slump in the market.

If you look at the total, including assembly, it has gone from \$645 million for six months in 1978 to \$2.1 billion in 1980. So not only is the deficit getting worse, but it is compounded by the investment intentions of the—

Hon. F. S. Miller: But you know the figures in 1979 and 1980 have been skewed by the relative difference in the American and the Canadian market.

Mr. Laughren: I sure do, but I also know what has happened in the market in 1978-79-80 has not skewed the investment intentions of the big—

Hon. F. S. Miller: Not skewed, skewed.

Mr. Laughren: Skewed? You're being skewed.

Hon. F. S. Miller: No, you have the "r" in the wrong place.

Mr. Laughren: That's where you are caught, because you can look to the past and say, "Well, you know, it would have been worse without the auto pact." You could say, "Well, the North American auto market has been in a really serious slump the last couple of years." You can get away with that.

What you cannot get away with, what you cannot explain away, are the clearly stated investment intentions of the automobile industry in the next five years. They are clearly sticking it to us. And I see you doing absolutely nothing to intervene to turn that around—nothing. It is clearly so in the auto parts sector and I do not see you doing a thing.

I will move on to another topic, but just tell me what you are going to do. I do not want to harangue you on this, but please tell me so we can move on to something else.

Hon. F. S. Miller: I have got used to this beating, so just carry on.

Mr. Laughren: I rest my case, Mr. Chairman. I see the chairman nodding sagely.

Mr. Chairman: No, I am not nodding at all. I am just waiting for the Treasurer's response.

Mr. Laughren: You're dozing off.

Mr. Chairman: Oh no, I'm wide awake, listening with great interest.

Mr. Laughren: Are you?

Mr. Chairman: As a matter of fact, coming from the city of Oshawa I appreciate very much some of the figures you have brought to my attention with regard to auto parts. I have listened to a good friend and colleague of yours, Mr. Ed Broadbent, quite often. Indeed, we have often discussed this very item. It proves of great interest to me.

Mr. Laughren: The figures must bother you.

Mr. Chairman: I am listening very closely to what the Treasurer has to say.

Mr. Laughren: You must be even more bothered.

Mr. Chairman: At some more appropriate time, I will discuss with him some of the other aspects.

Mr. Laughren: It really is unsatisfactory for the minister to sit back and see those figures and to know what the investment intentions are and not even pretend to deal with them. You have not made a statement today that shows even any concern about those investment intentions, anything at all that you intend to do about them, any persuasions you want to lay on the federal government or the industry itself. Don't forget they need us too.

Hon. F. S. Miller: Just so the record won't appear to see you being accepted as correct, you are wrong. I am very concerned about it.

Mr. Laughren: Oh, finally.

Hon. F. S. Miller: I have been telling the federal government. I am trying to do things to rectify it.

Mr. Laughren: Such as?

Hon. F. S. Miller: First of all, I have to work with the federal government in looking at actions they can take to work with us in bringing industry to this province. We have not had the best luck at times in getting their co-operation. I would have thought with Mr. Gray, coming from a city so badly affected by the automobile crisis, more heavily than any other in Canada, we would see more willingness to act in some of the areas I believe are necessary, such as the protection of the Canadian market. That is an important first step.

The North American market would require the same degree of protection. I know there is an unwillingness in the United States to go against what they consider to be their free trading statements. I know they have world problems where they need Japanese support for, say, Middle East policies. It is not simple.

3 p.m.

Mr. Laughren: You are pleading a lot of cases for the US here.

Hon. F. S. Miller: In the automobile industry, I have to look at the total market to begin with.

Mr. Laughren: So do I.

Hon. F. S. Miller: Within that, we have to work hard to establish mechanisms that bring people to our country.

Mr. Laughren: But none of that addresses itself to those investment intentions which, of all the statistics we have looked at, are the most important.

Correct me if I am wrong, but this is what is going to be produced in Canada by January 1981. General Motors is going to be producing

large cars, intermediate cars, vans, pickup trucks, V-8 engines, some V-6 engines, some parts; but no small cars and no small engines. How does that grab you?

Ford is going to be producing large cars, some sportier versions of small cars, vans, pickups, some parts; no intermediate cars and no engines.

Hon. F. S. Miller: No engines?

Mr. Laughren: No engines.

Hon. F. S. Miller: What is that date?

Mr. Laughren: January 1981.

Hon. F. S. Miller: When does the engine plant come on stream?

Mr. Laughren: I think some time in 1981.

Chrysler is going to be producing large cars, intermediate cars, vans, but no small cars.

American Motors is going to be producing—

Hon. F. S. Miller: Something, I hope.

Mr. Laughren: —no large cars, no small cars, no vans, no trucks, no engines, but some intermediate cars.

But look at that—GM, no small cars; Chrysler, no small cars.

Hon. F. S. Miller: We can both accept the need to keep on stressing the desirability of—in fact, insistence on—some small car assembly in this country.

We did have Chevettes in this country at one time. Whether you remember or not—

Mr. Laughren: No.

Hon. F. S. Miller: —the Ste. Therese plant in Quebec built Chevettes—the Acadian, wasn't it?

Mr. Samis: It was the Acadian they built.

Hon. F. S. Miller: They built them both at the same time. They are the same car.

That was taken out when the market for those cars fell apart about 1977.

Mr. Samis: No, it couldn't have been the Chevette, Frank. That only came out in 1977. Is Chevette the little car? When did that come out?

Hon. F. S. Miller: It came out in 1976; really, the fall of 1975.

Mr. Samis: Weren't they building the Vega, or something, at Ste. Therese for a while?

Hon. F. S. Miller: I think Vegas came out of there for a while too. In the States, it came out of Lordstown, Ohio, to begin with, I think.

The fact is they made those cars in that plant. If you recall, Chevette came in with a tremendous surge of sales. It really had a fantastic sales pace rate in its first six months. It appeared to be—

Mr. Samis: I seem to recall a lot of criticism of the car.

Hon. F. S. Miller: Of Chevette? You would have had a lot of criticism of Vega, but I don't recall any serious criticism of Chevette.

Mr. Samis: Not on the same level as the Vega, but I do not recall any overwhelming consumer acceptance.

Hon. F. S. Miller: It started out very quickly. You can go back and check statistically.

Mr. Laughren: Perhaps the Treasurer is aware of an Ontario government figure that came out a couple of years ago: If we received our fair share—I think we would agree on what "fair share" means—of the auto pact, it would mean 25,000 more jobs.

Hon. F. S. Miller: I don't know how many, but it would mean a great number. We have the figures.

Mr. Laughren: That figure varies; as a matter of fact, the union uses lower figures than that. But the Ontario government figure was for 25,000 additional jobs.

You are pretty sanguine about that potential, and then you don't do anything about it. I really believe you are not doing anything about it.

Hon. F. S. Miller: I can't change your beliefs. I have tried.

Mr. Laughren: No, you can't. I am searching, groping for some evidence that you are doing something, but I don't see any evidence anywhere. I am not asking you to nationalize General Motors, because I don't want to face those marines the next day.

Hon. F. S. Miller: It is nationalized in the truest sense in that no shareholder owns more than one per cent of the shares.

Mr. Laughren: I see. That is your definition of a nationalized company.

Hon. F. S. Miller: It is owned by the people of the nation.

Mr. Laughren: All right. If the Treasurer insists that he is doing all he can, it is more of a tribute to how little he can do than to what he is doing.

I will move on from the auto sector and talk about an area that I believe the Treasurer should be more concerned with. I admit that I see the Treasurer's role as being much more important than he sees it, that it is the kind of role where he provides—you know what is coming here, don't you?

Hon. F. S. Miller: All I know is it will help my son's crops grow.

Mr. Laughren: After the next election you are going to be warming up your high-speed drill again.

I believe it is up to Treasury to set certain

precedents in Ontario, and to be the leader in priorities. An area where I see Treasury not doing its share is that of employment opportunities and promotions for women. This is an area where the Treasurer has an obligation not just to stand back and allow the social service ministries to assume that role, because I really believe that Treasury is the lead ministry in government and has to provide that kind of leadership in as many areas as is possible, to show that these things are important.

I was looking through the data on a report that recently came out called, Higher Education—Hired? Sex Differences in Employment Characteristics of 1976 Post-Secondary Graduates. It was just issued by StatsCan.

The Treasurer would know that post-secondary education is a provincial responsibility, that the Ontario government is a major employer of university graduates in the province and that the government practice should set an example for the private sector. Finally, Treasury is the lead ministry and must set examples for other ministries.

Given that, these are some data that I believe the Treasurer should be concerned about: Nearly two thirds of the 27,950 bachelor's degrees awarded to women were in just five fields: education, fine and applied arts, humanities, psychology and sociology. These fields accounted for only one third of the 30,000 male bachelor's degree recipients.

At the master's degree level, around 10 per cent of the 2,280 women earned their degrees in engineering or business, compared with 40 per cent of the 4,930 men, but half the women graduated in the humanities or education. Only 170 women received doctoral degrees, 41 per cent of them in social sciences, 32 per cent in humanities. More than four times as many men, 790, were awarded PhDs; 37 per cent in engineering and 29 per cent in the social sciences.

They also talk about salaries—these are 1978 figures. At the end of May 1978 female graduates were earning less than males. Only about one third of the women with master's degrees were in the \$20,000 and plus income bracket, in contrast to more than half the men. Also, the median salary for a woman with a bachelor's degree and no previous work experience was \$13,090. That is not even as much as the \$13,270 earned by a man with a one-year college diploma with no experience.

3:10 p.m.

Even in women's fields, the earnings were similar. The median salary of graduates with two-year nursing diplomas was \$12,830 for women and \$14,340 for men. For men, the income boost

between the bachelor's and master's degree amounted to about \$6,400. The increment for women was \$3,400. So there is a substantial difference there, even with equal education.

I look at those figures and I think: "Those are StatsCan figures. They are probably accurate." I wonder how the Ontario government is doing." The Ontario government has what they call staff training and development programs. The women's crown employees office was to play a role in making sure that there are affirmative action programs in each of the ministries and that staff training and development is done.

I wonder whether you have a copy of a report—I don't have it—called, Participation Rates for Women in Occupations and Educational Specialties in Ontario and Canada, from the women's crown employees office as of September this year. I can't get a copy of it. If someone in the ministry has access to it, I see no reason why it should not be made available to us.

I am going to talk about the affirmative action program and the actual resources put into it by ministry. I am not talking about the staff training and development for the moment.

If we look at the figures for 1980-81, we find that of all the ministries in the Ontario government, only three put less into it than Treasury and Economics. I think Treasury and Economics should be a lead ministry. Industry and Tourism put less in, which does not surprise me at all; that is a macho ministry. Intergovernmental Affairs and also Management Board of Cabinet put in less than Treasury and Economics.

Treasury put in \$8,400; Community and Social Services put in over \$100,000; and Natural Resources put in \$120,000. Even Northern Affairs put more into their affirmative action program than Treasury and Economics did. You can say you are not a program ministry, but within your ministry you have a substantial number of women employees, and you are not doing the job.

Looking at the statistics for staff training and development, which is supposed to enhance the careers of women in the civil service, it is interesting to see that even when you do put women into staff development—the deputy is probably feeling guilty about this whole thing. I would assume that is his responsibility. Is that kind of responsibility that high up, or is it way down low in the ministry?

Mr. Dick: Mr. Chairman, I chair the affirmative action program in the ministry.

Mr. Laughren: I am glad you are here. I could use earlier years' figures, but using those for 1979-80, which are the latest available, I see that Treasury had enrolled 120 men and 76 women

in the staff training and development program. But here is the interesting thing—it runs throughout the whole government—the amount spent on those programs was \$10,708 for the 120 men. For the 76 women, \$10,455 was spent. If you look back to 1978-79, Treasury spent \$18,000 for 103 men. For 104 women, basically the same number as the men, \$10,900 was spent.

Hon. F. S. Miller: But you just admitted that in the following year, the two figures are virtually the same in dollars, but 76 women sharing in the same number of dollars as 100-odd men. The per capita share went up.

Mr. Laughren: That is correct. In 1979-80, it was the way it should be. If you look at the entire government—this is why I keep referring to you as the lead ministry—there were 29,000 men involved in these programs, on whom \$2,314,000 was spent. There were 44,000 women, on whom \$1,224,000 was spent.

I will run that by you again: 29,000 men had over \$2.3 million spent on them; and 44,000 women had \$1,224,000 spent on them.

So there is still a bias, even when you put women into those programs. There is still a bias towards the programs in which men are enrolled. It seems to me that is going to continue to exacerbate the problem of incomes and promotions within the Ontario government service.

Just a few brief facts about the Ontario government service: 63.3 per cent of all women are in the \$9,000 to \$12,999 per annum salary range. An additional three per cent earn less than the \$9,000. Only five per cent of employees in the highest wage range—\$21,000 or more—are women.

Despite the fact that the Ontario government affirmative action program has been, to date, first and foremost directed at moving women into management positions, the representation of women at the director level positions has actually dropped, from 5.3 per cent to 4.9 per cent, in the past year. Even though that affirmative action program is in place, the number is dropping. I do not have that figure for Treasury; I do not know whether it has dropped or not.

On average, women's salaries in the Ontario public service are 72 per cent of the average male salary and there has been no improvement in that since 1977. So it is not improving at all.

Wage discrepancies are worse at some individual ministry levels. The average salary of women in the ministries of Energy, Northern Affairs, Industry and Tourism and the Attorney General are 43 per cent, 51 per cent, 56 per cent and 56 per cent of the average male salaries respectively. So you are hovering around 50 per

cent of the salary of males. You can understand why the women crown employees office is upset about it.

I would ask the Treasurer and his deputy to tell us what they are doing to improve those kinds of statistics and whether or not we are going to see an improvement in Treasury.

Mr. Dick: Mr. Chairman, if I may just make some observations generally: The affirmative action program is one—and I say this with a little regret—that has turned into a statistical war. It depends so much upon the nature of the ministry, the nature of the people within the ministry and the nature of the things they seek.

Even in the matter of the costing and the distribution of money between numbers and on a straight, unanalysed basis, it is a wee bit confusing. For instance, one of the reasons I chair the affirmative action committee in the ministry is because they want something very different.

Going right back to the inception—this goes back to John White as Treasurer—when we started it, a real concern was what the women in the ministry were seeking; not what other people perceived to be the needs for these people, but rather what those individuals wanted by way of career assistance.

We had two meetings with the women in the ministry with just the Treasurer and myself; no other people except the women in the ministry.

Mr. Laughren: All of them?

Mr. Dick: We invited them all. We had somewhere over 300 people in the Ontario Room.

Mr. Laughren: Did you count? Would that be roughly the number of women who work in Treasury and Economics?

Mr. Dick: All of the women in Treasury and Economics were invited. At that time it was the larger ministry with Intergovernmental Affairs as well.

It was a very illuminating and freewheeling discussion because they were not inhibited in talking about it. But a few things followed from meetings like that. At the present time my affirmative action committee, which has evolved over the years, consists of my policy co-ordinating committee, that is, the assistant deputies and two executive directors and myself, together with a representative of each of the branches of the women in the ministry.

Mr. Laughren: How many of those are women?

Mr. Dick: How many which?

Mr. Laughren: The group of yourself, the ADMs, the executive directors?

Mr. Dick: There are six women altogether.

Mr. Laughren: You've lost me. You mentioned a group.

3:20 p.m.

Mr. Dick: Yes. The affirmative action committee is made up of my policy coordinating committee of the ministry, which is the group of the senior officials in the ministry that meet weekly.

Mr. Laughren: Of those senior officials, there is yourself, you have two assistant deputy ministers—

Mr. Dick: Four ADMs.

Mr. Laughren: Four ADMs, my God. There is yourself, there are four ADMs—

Mr. Dick: Two executive directors.

Mr. Laughren: —and two executive directors, that is seven, right?

Mr. Dick: Right.

Mr. Laughren: How many of those are women?

Mr. Dick: None.

Mr. Laughren: None. Okay, carry on.

Mr. Dick: If we progress from that, we then have the affirmative action committee as it is now constituted. Now, the reason for that was because they felt—and I shared it with them—that they wanted to have a closer contact with the management; that if affirmative action was going to work and if things were going to happen the way they should, then it should be part of the built-in management of the ministry and not something that isolated them and singled them out as being particular individuals who had to receive special, tender care. They wanted to be competitive but fair and equal. That was the way it was put in place and the way we are administering it.

In doing that, they made clear to me that the programs they wanted were somewhat different from some of the other things. For instance, they were more interested in interpersonal skills and some things they felt were desirable from their perception to get ahead, as compared to others.

On the other hand, the men in the ministry didn't want that sort of thing. They were more interested in technical, professional or whatever types of things related to their other needs.

The distribution of money between the two groups is different in each case, and is used for different programs. With respect to the women in the ministry, more seminars are held, for instance, for discussions, for interview experience and this kind of thing.

Having gone through that, the other thing we found, which is not reflected in the things that take place, is the way in which the women in the ministry move.

The professionals like their work; they are economists or financial officers because they really enjoy the specialities of the work. The

administrative aspects are less attractive than the management aspects, although they recognize them. But when you look at their career development inventories, there is that different stream. These things are not always reflected in statistics.

There are other things, but rather than take up too much time, in answer to the things you mentioned in the statistics and what they show, the reports you get and which are reflected, particularly in the one that is filed with the government, are accurate.

Mr. Laughren: You mean from the women crown employees office?

Mr. Dick: Yes. The women crown employees office brings it together. As I say, they don't reflect the differences in my ministry, where we have a large number of women professionals and where, to some extent, it is a little different from the larger ministries with much larger administrative and clerical staffs. I guess that is a wee bit of the reason why the Intergovernmental Affairs ministry, which is of the same texture and general composition and used to be with our ministry, shows the same trend.

Mr. Honey, who has been directly involved in the costing and the development of the moneys and the programs, might add to the figures.

Mr. Honey: You were quoting some statistics about what had happened over the last several years. For example, in the period 1974-75 through 1978-79, average female salaries in the ministry have gone up from \$11,400 to \$16,200, but more importantly, the salary distribution for women in the category \$9,000 to \$15,000 has fallen from 82.8 per cent to 57.4 per cent, while the proportion in groupings such as \$15,000 to \$27,000 has gone up from 15.8 per cent to 32.4 per cent. So that salary module has doubled as far as women are concerned. Over \$27,000, we have gone up from 1.4 per cent to 8.6 per cent in internal salary distribution.

As the deputy was indicating a moment or so ago, our ministry may have provided—through transfers to other ministries, when splits took place into Intergovernmental Affairs or into Northern Affairs, and some women left our ministry; still and all, within that—an increase in the proportional representation of women and in salaries in the professional categories. That was the point on which I think you had started off your comments earlier; the occupational distribution and opportunities open to women.

I think, in that sense, because the Ministry of Treasury and Economics does hire a large number of professional people, we have made a significant contribution in that area over the period of affirmative action.

Mr. Dick: Finally, Mr. Chairman, I might just mention the statistics that I am rather proud of, in a way. When we started to discuss it in this new group we started a year or so ago, the thing they wanted to do is to compete. They didn't want to be singled out, picked up and put in jobs because they were women. They wanted to be trained, they wanted to be given all that was necessary to let them to compete.

One of the things we have been doing that they appreciate, I think, and we certainly recognize it, is that people are picked out of our career inventory. Where a competition comes up anywhere in the government that appears to fit with what they have indicated as being the way they would like to see their careers develop, if they want to apply for it, we single them out and go over it with them and point out what qualifications they should have to go into it. We also go over it after the interview, if they are not successful, to find out what it was that perhaps was lacking in that they didn't succeed in the competition. Then that is something that is pursued with them, if they wish, to assist them.

The net result is—I won't go through them, but perhaps we could give you a copy of our review of the number of competitions held; the applicants, male and female; the qualified applicants, male and female; the interviewed applicants, male and female; and then the selected, successful applicants. It is very positive and they are succeeding in what they wanted to do. More women are now going into the competitions and being interviewed, and the percentage, in respect to the percentage in the module, is getting better.

I mention that as one specific. We have tried to tailor what we do to what they want and then we keep the statistics on that. I think we are fairly satisfied we are making progress.

Mr. Laughren: You are much smoother than Senator Harry Hayes.

Hon. F. S. Miller: Also much more factual and I would assume now you would give us the star for merit.

Mr. Laughren: I am glad you put it that way, because before I put the red star on the page, I want to make sure of one other thing—

Interjection: It would have to be a red star.

Hon. F. S. Miller: You could try a blue star or a gold star.

Mr. Laughren: There is one other thing I want to go through with you that I think is worth taking the time for. That will determine whether or not you get a red star.

Do you have the estimates book with the you, the one similar to this?

Mr. Dick: Yes.

Mr. Laughren: Under Organization, Human Resources, there is a chart in my book. I assume these are the senior people in the ministry and I would like to know which ones in here are women: F. S. Miller, C. R. Bernardi—this just has the initials here so I have no way of knowing—

Hon. F. S. Miller: He is not a member of the ministry.

Mr. Laughren: He. All right. A. R. Dick—

Hon. F. S. Miller: Male.

Mr. Laughren: Male. M. J. Gough.

Mr. Dick: Michael Gough.

Mr. Laughren: John E. Kierans; yes. G. McIntyre; yes. B. Jones?

Mr. Dick: Bernard Jones.

Mr. Laughren: D. E. Redgrave?

Mr. Dick: David.

Mr. Laughren: C. P. Honey?

Mr. Dick: Peter.

Mr. Laughren: A. W. Nethery?

Mr. Dick: Andy.

Mr. Laughren: I thought you said "anti."

Mr. Dick: No.

Mr. Laughren: D. S. McColl?

Mr. Dick: It might be easier—or is this fine?

Mr. Laughren: This is fine, yes.
P. M. Fieldus?

Mr. Dick: Paul Fieldus.

Mr. Laughren: J. Kravis?

Mr. Dick: John.

Hon. F. S. Miller: We call it Jean today.

Mr. Laughren: T. Sweeting?

Mr. Dick: Thomas.

Mr. Laughren: H. M. Ploeger?

Mr. Dick: Henk.

Mr. Laughren: D. Stouffer?

Mr. Dick: David.

Mr. Laughren: B. B. Purchase?

Mr. Dick: Brian.

Mr. Laughren: H. Banning?

Mr. Dick: Herman.

Mr. Laughren: B. P. Davies?

Mr. Dick: Brian.

Mr. Laughren: D. W. Maskens?

Mr. Dick: David.

Mr. Laughren: R. G. Ferguson?

Mr. Dick: Ron.

Mr. Laughren: R. A. Quirk?

Mr. Dick: Rick, Richard.

Mr. Laughren: B. A. Weatherhead?

Mr. Dick: Barbara.

Mr. Laughren: Well, library services; I should have known.

M. Dempsey?

Mr. Dick: Marion.

Mr. Laughren: Communications group. O. M. Schnick?

Mr. Dick: Orville.

Mr. Laughren: Orville. Really?

P. Hickey?

Mr. Dick: Paul.

Mr. Laughren: P. Ross?

Mr. Dick: Phyllis.

Mr. Laughren: Phyllis, internal audit service. Did I miss anyone?

3:30 p.m.

Mr. Dick: No, at those levels, those are reflective of the personnel.

Mr. Laughren: That is what I thought. You don't get the red star.

Mr. Dick: Can I go on and explain another aspect of that?

Mr. Laughren: Of course.

Mr. Dick: There is the turnover. This is another thing that isn't reflective—

Mr. Laughren: This I have got to hear.

Mr. Dick: Again, it is strange—

Hon. F. S. Miller: I would be careful with this one.

Mr. Dick: Fortunately, the colour of my hair will make the whole matter clear very shortly. It is the promotions out of the ministry that are part of it. It isn't reflective, but I just recite the fact that—

Mr. Laughren: You are promoting all the women to the Ministry of Industry and Tourism, are you?

Mr. Dick: No, they go to the private sector. This is one of the things that happens. People may look at the statistics and question whether government is really providing opportunities. Since we have been in this type of program, I guess there have been half a dozen—I almost said "promising women," which again is the wrong term—very capable women who have gone to promotions in the private sector.

Mr. Laughren: As opposed to men who don't go, who stay in the ministry. Is that it?

Mr. Dick: Better than 50 per cent of the men who take new positions transfer out of the ministry and the government.

Mr. Laughren: I have heard far-out rationalizations before, but carry on. It is very interesting.

Mr. Dick: I was just going to mention that one woman went to the Ford Motor Company in an executive position. She is now the executive director of a business committee that advises the government of Canada. Another one went to Inco in their intergovernmental relations and staff development area.

Mr. Laughren: I think I have met her.

Mr. Dick: One of the women started her own public relations business. Two others went into professional positions as economists in the private sector, but they were not management positions or on the executive level.

This kind of thing is happening. Women who have been in some of these positions have gone to Intergovernmental Affairs, which used to be with our ministry. Three went out of that ministry into the private sector.

I guess, as they move out, some of them haven't been replaced by women. One was replaced by Marion Dempsey, but some of the others were filled by men in the competition process.

But you are quite right. We would like to see them move into senior positions. As things move along, maybe they will.

Mr. Laughren: You have the power to do it. Would the organization chart from last year have looked different from this one?

Mr. Dick: No. I don't think it looked any different, not in that distribution.

Mr. Laughren: I guess it will depend on who the deputy minister is next year.

Mr. Dick: That could well be.

Mr. Laughren: It will depend on who the government is.

Hon. F. S. Miller: We know who the government will be but we are not so sure about who will be minister.

Mr. Laughren: I don't want to make any promises. It might be seen as patronage.

Hon. F. S. Miller: That is the second offer today.

Mr. Laughren: I won't ask where the other one came from. You probably transferred her out.

Mr. Chairman: there are two other areas I would like to talk about.

Mr. Chairman: By the way, Mr. Laughren, I

enjoyed that area very much. I think it was well prepared, and I think it is an area that has to be continually re-examined.

Mr. Laughren: Which area is that?

Mr. Chairman: That of women in terms of involvement in the government.

Mr. Laughren: Thank you, Mr. Chairman. You have made my day.

Mr. Samis: He will make you a senator some day.

Mr. Laughren: Just to keep things in perspective, it is one thing to have women in management positions, either in the private sector or in the public sector; that's fine. But the real crunch out there is with working class women who have to work and have enormous difficulties in putting their children into quality day care.

That is another area where the Treasurer could say—and to his credit, he hasn't used this argument—that it is the Social Services people who must make the demand; that he must deal with competing demands on limited funds. I believe, very strongly, that the whole question of day care has an abysmally low priority in the Ontario government and that it needs to be changed.

The amount of money that the Treasurer added to day care in his mini-budget, I think it was another million—I would be the last one to say, "What's a million?" but it certainly does not address itself to the problem of day care.

Hon. F. S. Miller: Yes, but \$1 million over three months—in terms of realizing that it takes some time to translate money into places—

Mr. Laughren: That may very well be, but it is not as though, suddenly, we are going to have to go around and look for places for that \$1 million. There is a screaming need out there for it.

In Metro alone, they stated it would take 500 places—correct me if I am wrong—simply to meet the immediate crisis. This was a compromise agreed to by Metro, who said it would not at all deal with the real need out there. The \$1 million you promised is going to give us roughly 500 places for all of Ontario. The need is simply not being met.

In his budget last spring, I believe the Treasurer promised a 14 per cent increase in the day care budget.

Hon. F. S. Miller: That's not true.

Mr. Laughren: Then I don't think it was translated into 14 per cent. I think it was cut—

Hon. F. S. Miller: The arithmetic has to be

worked through. We round off figures. Someone came up with a figure rounded off slightly lower, but I think we are not far off that figure.

Mr. Laughren: Is that including the \$1 million?

Hon. F. S. Miller: No. That wouldn't be including the \$1 million. That wasn't predicted at that time.

Mr. Laughren: That wasn't the figure I had. My understanding of Metro—and I don't want to blow Metro out of proportion, but a quarter of the Ontario population is here and a large proportion of the work force in Metro, around 40 per cent, is female.

It is now three years since the social planning council of Metro, who do some very good work, estimated that over 100,000 of Metro's children needed day care—114,000 was the figure they use then. They said that 40 per cent of mothers in the labour force have children under the age of six, but only about 6.8 per cent of children under age nine are in licensed day care, or any kind of licensed care at all.

Twelve hundred applications for day care spaces in Metro are turned down each month on the average; sometimes there are as many as 1,800 rejections in a month because the availability is not there. We believe that is not only an economic program, it is also a social program in which Treasurer should be playing the major role.

I understand that it means a shift in priorities, but I believe it is the kind of social program that is absolutely necessary. We don't live in that old world any more, where the argument was made that women should stay home and look after their children. Even if you want to hark back to those days, they are not here and we can't pretend they are. They probably won't be ever again.

The vast majority of the women who are working are working because they have to. It is not because, as someone said, they want to go out and pay for the colour TV sets. They really do have to work. The vast proportion of them have husbands who are in low income brackets as well.

The latest figures I saw for housing in Metro were between \$75,000 and \$80,000 for the average house. The income required to carry an average mortgage is around \$37,000 a year. There are very few people who earn that kind of income. So, increasingly, women are going to be out there, trying to work at least, and trying to scramble for arrangements for their children.

Given the fact that the need is going to be there, you have a choice. You can either have quality, licensed day care, or you can have

unlicensed day care with no control over the quality of care. Those are the options that are facing you.

You can argue, as your government has, that the private sector can look after day care, but you know that we will not end up with quality day care, if that is the case.

3:40 p.m.

I can remember the arguments made on nursing homes, that the private sector could look after nursing homes as long as people had pensions that would allow them to pay the private sector to look after the elderly people. But you know and I know that is not true. That is why you have had to go in with the Nursing Homes Act to protect people in those institutions. There is still an enormous gap there for institutions that have fewer than 10 beds—I can't remember, is it 10 beds that require licensing, or 20 beds?

Hon. F. S. Miller: I don't think there is a minimum number. Rest homes, by definition, are not based on numbers but by the state of the persons within them. Some rest homes have large numbers of people in them but they don't qualify under the medical sector: First of all, they are not paid for by extended care; and secondly, they do not require the degree of medical care that is stipulated for nursing homes. Or should not require it.

Mr. Laughren: I am talking about those with no subsidy at all.

Hon. F. S. Miller: Yes. I am talking about those, too. We have one or two of those in my area.

Mr. Laughren: And there is no licensing required?

Hon. F. S. Miller: No licensing except municipal.

Mr. Laughren: Right. I thought it was on numbers.

Hon. F. S. Miller: It is not on numbers. No, if a person is eligible for Ontario health insurance plan extended care, I believe they must be in a licensed nursing home to qualify. I believe you will find that is true.

We had some very small nursing homes which we inherited in 1972 when the program began, with numbers of beds in the range of 10. They were licensed and, to a degree, grandfathered in the number of physical requirements, but they were also, in certain cases, given no right to renew at the end of the current owner's management of the business because they couldn't conform in the future.

Mr. Laughren: As the former Minister of Health, I am sure the minister knows more

about that area than I do. The reason I used that as an example is that if you pretend the private sector can look after a need such as that, or such as day care, you are mistaken.

Hon. F. S. Miller: One has to recognize there was a set of regulations for nursing homes in Ontario in existence prior to OHIP coverage. Now, whether they were adequate or not, there was a set of regulations and a duty to conform. But when the state became the major purchaser of the service, we felt we had a right and a duty to tighten up the requirements because we were, in some cases, paying considerably more than people had previously paid for the service.

As a result we had the right to impose certain standards for nursing care; cleanliness; quality of food; fire protection; et cetera. That is when the change came about, because we were the purchaser of a service previously paid for between, theoretically, a willing buyer and seller.

Mr. Laughren: That's the point, isn't it? There was a need for the Ontario government to provide a level of supervision and a minimum level of standards, right?

Hon. F. S. Miller: No, there was a need for the Ontario government to provide a service that was a lower-cost alternative to active care and, basically, to move people out of the hospitals by encouraging that movement to those areas through a form of insurance coverage.

Mr. Laughren: Right, but you would agree, wouldn't you, that with nursing homes, there is a substantial subsidy on the part of the Ontario government?

Hon. F. S. Miller: Sure, about two thirds.

Mr. Laughren: Right. And you must, at the same time as providing the subsidy, also provide the regulations.

Hon. F. S. Miller: We did.

Mr. Laughren: Rates, minimum standards and so on, which you did. You had to do it in order to avoid abuses. You would agree to that.

Hon. F. S. Miller: Yes.

Mr. Laughren: What I am saying to you is that the same must apply to day care. If we are going to have quality day care in the province, you simply have to do that. Not to do that is, I believe, to abrogate your responsibility.

Hon. F. S. Miller: Okay. I am not going to get into a long debate because I don't pretend to be as knowledgeable on day care as you are.

Mr. Laughren: I am no expert.

Hon. F. S. Miller: I would only say this: It is one of the strange idiosyncracies in our society that we are quite happy to put old people away in conditions that don't bother us, but we are

very concerned about the conditions our children are in. I would suspect you will find a high degree of parental concern about a child that doesn't exist towards a parent.

Mr. Laughren: Why? I would take issue with you there. I get a lot of calls about the quality of care in nursing homes; nutritional, recreational—

Hon. F. S. Miller: Oh, sure. Now that the state is paying for it, you suddenly have a lot of people complaining. All I am trying to say is that in the days when you put grandma away, a lot of people didn't worry about her when they paid for it. Let me be brutally honest; they didn't care. They just didn't want her at home, until the state became the paying agency. Then suddenly there was a new standard.

Mr. Laughren: That standard still needs to be examined, I can tell you. That doesn't make it right. That doesn't make an acceptable standard appropriate—

Hon. F. S. Miller: No, I am decrying what I am saying, I am not supporting it.

Mr. Laughren: Right. I know. I understand what you are saying. What I am saying to you is that I more or less agree with you on the day care thing, people do care about children.

These are very formative, impressionable years and there is a great deal of positive potential in day care. We know, the studies show, children can learn a great deal in those early years, depending on the environment within the day care centre. If you continue to stand back and assume that the private sector can look after the problem, I think you are doing a major disservice to our children in the province. I don't want to overstate it, but I really believe that.

Hon. F. S. Miller: I think, in all honesty, this is one of those areas in which I am glad to listen to your comments. The funding of the programs will end up being a Treasurer's responsibility, but the quality and content of the programs will basically be the responsibility of another minister.

Mr. Laughren: So it should be. I don't quarrel with that. But because you seem to have an interest in it, let me put to you the following on what child care programs I believe should be developed in Ontario. If we are going to do this, it implies a substantial degree of funding, for which you would have the responsibility of allocating the money.

Mr. Chairman: Mr. Laughren, just before you do that, I was just wondering; the committee had agreed to sit until four o'clock. The Treasurer had a commitment.

Mr. Laughren: No problem. This is what we believe—and it is very brief.

One, the Ontario government day care funds should be increased immediately to ensure the survival of existing centres and to offer relief to the many families now on waiting lists for subsidized day care spaces. Two, government responsibility for child care should be transferred from the Ministry of Community and Social Services to the Ministry of Education. Such a transfer more easily accommodates the proposed universally accessible day care service, and removes the stigma of being part of the welfare system.

The committee adjourned at 3:50 p.m.

SPEAKERS IN THIS ISSUE

Charlton, B. (Hamilton Mountain NDP)

Cureatz, S.; Chairman (Durham East PC)

Laughren, F. (Nickel Belt NDP)

Miller, Hon. F. S.; Treasurer, Minister of Economics (Muskoka PC)

Rotenberg D. (Wilson Heights PC)

Samis, G. (Cornwall NDP)

From the Ministry of Treasury and Economics:

Dick, A. R., Deputy Minister

Honey, C. P., Assistant Deputy Minister



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Official Report (Hansard)

Standing Committee on General Government
Estimates, Ministry of Treasury and Economics



Fourth Session, 31st Parliament
Wednesday, December 3, 1980
Morning Sitting

Speaker: Honourable John E. Stokes
Clerk: Roderick Lewis, QC

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LEGISLATURE OF ONTARIO

STANDING COMMITTEE ON GENERAL GOVERNMENT

WEDNESDAY, DECEMBER 3, 1980

The committee met at 10:13 a.m. in room 228.

ESTIMATES, MINISTRY OF
TREASURY AND ECONOMICS

(concluded)

Mr. Chairman: I will call the committee to order. I know we have been waiting, with great anticipation, for the continuation of the Treasurer's estimates to listen to the critic of the Treasurer, Mr. Floyd Laughren. If I recall, Mr. Laughren, we were waiting—

Hon. F. S. Miller: He was talking when the lights went out.

Mr. Chairman: That's right. We were waiting for your finalization of various inquiries, questions and otherwise. I think the estimates go to noon?

Clerk of the Committee: Two hours—

Mr. Chairman: Two hours and a bit. We will say noon. Again, periodically I will leave the chair just to touch base with the plant shutdown committee.

Hon. F. S. Miller: I would just as soon keep you here.

Mr. Laughren: Mr. Chairman, I would like to pursue a couple of points remaining that I want to talk to the Treasurer about. One we started on last week was the whole question of economic equality for women in Ontario. We had a little bit of discussion on it, but not very much. I did want to impress upon the Treasurer the importance of the issue, because I sometimes think he does not appreciate the problem as much as he might.

We believe there are in Ontario, between the ages of 21 and 64, about 1.18 million women who are not in the labour force and who, if the federal government's Minister of Health and Welfare, Monique Begin, had her way, would be covered under the Canada pension plan. The total amount that was paid out to female pensioners in 1979 averaged \$86.80 a month, which is less than \$1,000 a year. As I am sure the Treasurer knows, people earning less than \$1,000 a year are not eligible for the Canada pension plan.

In the House of Commons, the federal minister indicated that she would not introduce allowances

for homemakers to allow them to contribute to CPP in order to get them over that \$1,000 a year income; and also she would not increase the federal portion of social assistance to allow women to contribute to Canada pension.

As the Treasurer probably knows, Ontario has a rather dishonourable record when it comes to the inclusion of women in the Canada pension plan. It was raised in the Legislature last week and again at the beginning of this week.

The reason I say it is a dishonourable record is that back in 1976 the Premier (Mr. Davis) wrote a letter to the president of the National Action Committee on the Status of Women, who was then Lorna Marsden. There was a debate going on, as you might recall, about something called the "drop-out provision," which would allow women to drop out of the work force, raise children and not be penalized in the computation of their contributions to Canada pension.

One of the short but nevertheless very heavy sentences the Premier wrote at that time was, "Ontario opposes on philosophical grounds and on the grounds of cost the drop-out proposal to give pension credits to spouses who leave the work force to raise children." Nothing could be more direct and heavy than that conclusion. I expect the Treasurer knows too that Ontario's opposition to that proposal was enough to kill it, so that proposal was, in fact, dropped.

Now we have a separate proposal from the federal government that they intend to introduce a mechanism to allow housewives to contribute to CPP, but, of course, it is not an appropriate plan either in that it assumes that women who will contribute have the income to do so. We all know, I think, that many families will not have the kind of money that is necessary to make those contributions.

What we have been saying at the federal level and what I am saying to the Treasurer now is that we think it is wrong. It discriminates against those people who will need those contributions the most.

I thought that the Toronto Star, last Friday, put it very nicely in a couple of very short paragraphs. It said:

"It's important to provide pensions for women who devote their lives to homemaking and raising children, because they all too often risk poverty in their retirement years. Many of them outlive their husbands. As widows, they often have only the income that comes from survivors' benefits in their husbands' Canada pension, plus the government pensions that are available to all the elderly. Private pensions their husbands may have had from employment very often do not provide survivors' benefits.

10:20 a.m.

"Permitting housewives to build up their own credits in the Canada pension plan would also recognize in a tangible way that women who stay at home to raise children, manage their households and do countless hours of voluntary work in the community, make a valuable, though nonmonetary, contribution to Canadian society."

I think that says it better than I would have said it and is most appropriate.

I am not suggesting that the proposals of the federal minister, Monique Bégin, are unflawed, because they are not. Too often they will depend on whether or not the husband thinks that is the appropriate thing to do with part of the income from the family, and that should not be any part of it at all.

I would ask the Treasurer to indicate to us whether or not he is prepared to endorse this kind of proposal to the federal government and to provide some partnership in the funding of it—I do not think he should have to, but if it has to be. And second, whether or not he is prepared to change the position of the government on the drop-out position which the Treasurer was so opposed to four years ago.

Hon. F. S. Miller: I would be foolish to say either a categorical yes or no to whether one would or would not accept change. One of the hopeful byproducts of the study of our royal commissioner will be an analysis of some of the needs that are unmet within the pension systems of the country.

I was not around at the time those policy positions were taken. I am not trying to duck the responsibility for it, I am simply saying that at that point I did not have the opportunity to be the one thinking through the ramifications of coverage for people who are out of the work force on a discretionary basis, a decision to raise a family in lieu of working. It is an alternative which, I think, is very important and should not be made less attractive for those who rate it as important.

I am not trying to say that I am in favour of women staying home, looking after babies,

versus staying in the work force. That is an individual, conscious decision, one that people should take, based upon what they see as their more important interests, roles, duties, whatever they may be in life.

One has to look at the package of government assistance that is available at retirement time and recognize that some of them are totally unconditional, as is the old-age security pension. Some of them are conditional upon their gross income, for example, the guaranteed income supplement and the guaranteed annual income system; and some of them are dependent upon your contributions as a worker in the work force, like CPP.

If one looks at the sum total of those things, obviously there are variations in the amount of the reward, depending upon whether one contributed to or did not contribute to the income-related components, like CPP, or the private pension plan one may have had in a company.

We have taken away a good deal of the value of the contributory plans by adding Gains and GIS. In fact, I would argue there are a good many people who have felt they are no better off today because they contributed to some form of voluntary or company plan throughout their working life than a neighbour who did not, simply because we topped up the basic old age supplement.

I do not want to get into the merits or demerits of the topping up, because we have tried to maintain basic, minimum income support levels for people who are retired. I am only saying that some of those who denied some of their current purchasing power through their lifetime to prepare for retirement, not knowing that government would step in with supplementary plans, have said, "Look, who was the fool?" type of thing. This kind of comment often comes up when you are talking to senior citizens who are in that class, just above support levels, just above the point where the federal and provincial plans cut out.

I do think, though, that we should—

Mr. Laughren: Excuse me. You could also look at those who have been able to have that extra retirement income and what their earnings were during their working life, to be fair.

Hon. F. S. Miller: Agreed. You know, it is like the old story about a cricket and—I forget the other animal; was it a squirrel?—where the cricket sang all summer and the squirrel put the nuts away. Winter catches up with both of them in time and the squirrel put the nuts away thinking he would have something to eat all winter, and in the old days, the cricket died. We made sure, through the justness of

society—and I will not argue with that—the cricket, the person who either had not had the opportunity, or who did not try to save, had some protection in later life.

Mr. Laughren: How does the person on the minimum wage save? It is your minimum wage, not mine.

Hon. F. S. Miller: First of all, it is not a question of being at minimum wage.

Mr. Laughren: Of course it is.

Hon. F. S. Miller: Oh, no it is not. I can take two persons at the \$30,000 range, or its equivalent in past history, one of whom has a nest egg and one of whom has debt. I can only tell you it is a function of the way people are to a large degree. Sure—

Mr. Laughren: That is total nonsense. You show me someone at the minimum wage who has a nest egg.

Hon. F. S. Miller: It is not total nonsense. I continue to be amazed in my riding at people who save money and I do not know how the hell they do it. Listen—

Mr. Laughren: This I have got to hear.

Hon. F. S. Miller: I have a little experience on this side and I have to hammer you guys in the NDP once in a while, though I take the great risk of being here longer than I intended to be.

Mr. Laughren: Fire away.

Hon. F. S. Miller: I may be personal for a second. I have often said I did not grow up in a well-to-do family. The assumption that we in our party have come from well-to-do families is one that is widespread. In fact, it is just the opposite.

Many of us who are my age—not quite your age because you are at least 10 years younger than I am; I am guessing—grew up in the 1930s at a time when even a relatively secure family, in employment—and mine was; my dad was a tool and die maker—really could hardly be said to be affluent. Right?

My father died when I was 13 and removed the only security we ever knew, the income of the father, when my mother was 55. This is not a tear-jerking story, but it is just to emphasize what I am trying to say.

We had very few of the support programs that we now have for the mother, except something called “mother’s allowance,” in those days a euphemistic term for about \$16 a month. What does a mother do under those conditions? Today there would be ways of helping a mother and I think they are right. Okay? In those days there were not, so mother, finally, at 55, said: “I only have the skills of a housewife. I will go back

and work in the Oakwood Collegiate cafeteria,” and then she went on to be a domestic until she retired at 70.

My mother died, after earning very minimal wages through those years, at the age of 73. Having had nothing when my father died, I found, to my shock, she had been saving all those years. I never knew how. I honestly do not know how. I was astounded. But the degree of insecurity she had felt had made her put every dollar to one side in a bank account.

If you had asked me if my mother had any discretionary income through those years when she was raising me, because I was kind of late in life for her, I would have said, “No.” But she did. That is typical. The next door neighbour would be up to the welfare office under the same conditions saying, “I cannot live on what I am getting.”

That is all I am trying to say. People are funny in their ability—or not funny, but they differ in their ability and in their attitude towards the need to save. We have taken a good part of that out of the system by cushioning the risk. So we have changed attitudes to a large degree since those years.

I suspect we no longer leave in people’s minds the great fear the people in the 1930s had of reaching retirement with nothing. Because that is what you are talking about. That was behind most of the saving of those days. I am not arguing against it. I just say a number of people made conscious decisions, when the support levels were not there, to find that the savings they put together, often at the cost of enjoying something they wanted, were matched by the state for somebody who, in their minds, had never worried about tomorrow. That is all I am trying to say.

Given all that, given our basic philosophy, all I am trying to say is I sense and have lived through the kind of thing we are talking about. As a Conservative, perhaps the only difference you and I have is how does one best secure the advantages we both want for people. I really do not think you and I differ in what we want too many days.

I consciously do not think so. I think we differ in what we believe is the system that delivers it. That really is all. So we differ in approach and in state involvement.

I do not know that I am right. I do not know that you are right. We both believe we are and that, thankfully, in our system allows us to carry on and argue for those things we believe in.

10:30 a.m.

Mr. Laughren: Right. But your commitment to the vehicle you believe is best able to deliver

what you want allows the system to deteriorate out there and allows people to live under conditions they should not have to live under.

Hon. F. S. Miller: I could argue that yours does that.

Mr. Laughren: How?

Hon. F. S. Miller: I could argue that as long as people did not think of the state as being a crutch, they took a number of actions that supported themselves. You will argue that the state had to be there to support you to prevent the abuses of the system that were existing in the past.

Again, that becomes ideological and you and I can spend the whole darned morning—we usually do have one of these battles every year—arguing as to whether it is a cause or effect syndrome. I do not want to get into that today because I think we could use many hours.

I can only say this, getting back to your talk about whether someone who is out of the work force should or should not get a Canada pension plan benefit, I think that is a point for serious review as we go through this process of the Donna Haley commission on pensions. Do not make me commit myself to saying I will not review it. Do not make me say I will change the system. I only say—

Mr. Laughren: I will not even make you say what date the report is coming down.

Hon. F. S. Miller: December 15 was the date we were given. I only will say I will try to have as open a mind as I can with my philosophical bent, and if you will have the same degree of openmindedness, there is a fighting chance we will come up with fair solutions.

Mr. Laughren: Given your philosophical, ideological bent, you might as well be going into this debate blindfolded. Where we do differ is that the Treasurer can see obvious flaws out there, and he admits there are flaws out there and so do I, but the Treasurer will not intervene to solve them because of a previous or more fundamental commitment he has to not doing anything about it.

Hon. F. S. Miller: Let me tell you the Treasurer of today, the Frank Miller of today—

Mr. Laughren: Is the same as the Frank Miller of yesterday.

Hon. F. S. Miller: Let me tell you that is not so.

Mr. Laughren: You have already admitted it.

Hon. F. S. Miller: It is like differential calculus. Any one move—

Mr. Laughren: I am a qualitative person myself.

Hon. F. S. Miller: Any one sliver does not appear to make change, but the sum total of the differentiation is a major change. After nine years in politics I look back and I am far more conscious of the need for me to change some of my preconceptions than I was when I started. I am far too soft.

Mr. Laughren: The scope of your tangent may be getting steeper, but your—

Hon. F. S. Miller: You are getting back to last week. The first differential of the curve is the tangent. You know that.

Mr. Laughren: Yes, I do. I recall that. Seriously, the Treasurer can say all those things if he likes, but he still looks out there at the system—for example, we had an interesting debate last night in the Legislature on plant shutdowns and employment protection for people who are victims of plant closures.

Your government, and you are an integral part of it, will not take the necessary action (a) to prevent the whole economic thing from deteriorating or (b) to protect workers when it does. If you would take the first step, preventive medicine—and you should understand this, being a former Minister of Health—if you would take the preventive action in the first place, you would not be in such a bind to provide the curative aspect of it in the form of protection against job loss.

Hon. F. S. Miller: It is when I see the joggers, and I am one, relaxing with a cigar and a drink, I begin to realize that preventive medicine takes different forms and sometimes one undoes all the work in one field by another. So prevention is a great theory but it does not always work.

Mr. Laughren: If you did not want a drink you would not need to jog. Is that what you are saying?

Hon. F. S. Miller: I am not drinking these days, so I have slowed my jogging down.

Mr. Laughren: Would that be allegorically?

Hon. F. S. Miller: What I would say though is we have another committee discussing that matter. I do not think I should get into plant closures today. Leave it to the committee that Mr. Cureatz is going to visit.

Mr. Laughren: No. We are talking philosophically. We are not talking about—

Hon. F. S. Miller: Philosophically, I think the minister last night—and in the introduction of the bill on pensions, or the statement he read in advance of that bill—clearly stated he was not philosophically opposed to the principle being enunciated by your party and by the Liberal Party.

Mr. Laughren: As long as it was not translated into legislation.

Hon. F. S. Miller: He did not say that. He simply said that there should be a good, thorough study by your committee of the pros and cons and the costs, et cetera, before the recommendation came in. I believe that was the simple point of view. He felt that as of yesterday the committee had not done that, rather than listen to all of the people who were to appear before it, when it rushed through the nine to nothing vote which he felt he could not accept. I do not think in any way—

Mr. Laughren: An all party vote.

Hon. F. S. Miller: An all party vote, no argument, because it is a very difficult issue, as you know, to disagree with in principle and in detail. The issue is: What are the costs and what are the fair costs, and what are the fair settlement amounts to be worked out? That is what I thought you were to listen to. That is all.

Mr. Chairman: I wonder if I might interject.

Mr. Laughren: No. The reason that—

Mr. Chairman: I was going to support you, but I guess I will not bother.

Mr. Laughren: The reason I think you need to be pressed as vigorously as possible is that maybe, just maybe, when you see the costs of protecting people in this society against things like closures and layoffs, then you will see the sense of the preventive step we were talking about.

Let me give you one example: We have talked year after year—and I am glad the Treasury critic for the Liberals is not here now or he would be ill—about mining machinery. Let us not go into all the details. We have done that before.

We keep talking about it because it is so symbolically important as to what is wrong with Ontario. You understand that. You do not disagree at all that we should have a thriving mining machinery industry in Ontario—and there are other industries too, in other sectors. You know that, you recognize it. You see how stupid or illogical it is to be importing mining machinery the way we are. You understand the number of jobs that means, you understand what it means in imports and in skilled jobs and the creation of new wealth, and yet you will not intervene.

There is simply no logical reason why you will not intervene, unless you put ideological commitment in the category of a logical reason. That is fine. I understand that, because I happen to believe that ideological commitment is a logical thing to have. I believe I have it. But I am just saying then you have to expect to have to defend that commitment because of all the havoc it wreaks out there in society.

Hon. F. S. Miller: I do not think I would ever accuse you of being a critic who was hypocritical or who did not come prepared to offer intelligent comments in my debates, no matter how we may disagree. I rather enjoy the annual opportunity, whether it be in this ministry—

Mr. Laughren: I wish you would enjoy it a little less.

Hon. F. S. Miller: It seems to me you have followed me and haunted me through some of my previous jobs. Are they just playing it a man-on-man defence or are they—

Mr. Laughren: I am thinking of moving into your riding just to keep an eye on you.

Hon. F. S. Miller: I would hate to lose you in the House that way.

Mr. Laughren: Do you know the thing that haunts me more than anything else?

Hon. F. S. Miller: What is that?

Mr. Laughren: Actually before I knew who owned it, I took my children to Santa's Village. Of all my indiscretions in my life, that is the one that haunts me the most.

Hon. F. S. Miller: I do not want admissions of guilt or sin, we have the church for that.

Mr. McGuigan: Can't even trust Santa Claus.

Mr. Laughren: You cannot trust Santa Claus any more, I am telling you.

Hon. F. S. Miller: For your information, all being well, in about a week and a half I will no longer own it.

Mr. Laughren: Now that my children are too old to enjoy it.

Hon. F. S. Miller: Oh, no. They are never too old to enjoy it.

10:40 a.m.

Mr. McGuigan: Better read that book, *The Grinch Who Stole Christmas*.

Mr. Laughren: Yes; that's it. It didn't bother my kids but it sure bothered me.

You have not really answered my question.

Hon. F. S. Miller: I tried to. What I am saying is I don't suppose I have a response that suits you.

Mr. Laughren: You could have.

Hon. F. S. Miller: I could have, but I said I didn't have—on some of the things you have just touched upon, the question of machinery and so on—because I have never really fundamentally disagreed, as you have said with the data you have brought forward and the need. I would

only ask for a little time on that one now. I know you are going to tell me I have had all the time in the world, but give us a wee bit more.

Mr. Laughren: We have no choice.

Hon. F. S. Miller: I am going to have it any way.

Mr. Laughren: The chairman, rather than the opposition, may be the one who ends up pushing you. But if you had some targets that said—at the very beginning, I guess it was during my leadoff remarks, I used the model of what the President of the United States is required to do every year in bringing in his economic report, and we have it in part of a private member's bill which we have introduced in the Legislature. It says you must bring in at the beginning of every session, within so many days, an economic report which sets out employment goals by sector, among other things.

If you were required to come before the Legislature in a very public way and say: "Regarding the sector called mining machinery"—or food processing, whatever—"this is the present level of jobs and these are the levels of imports. This is the deficit. These are the employment goals for the next five years or 10 years," you would be forced to think about solutions, rather than increasing the level of severance pay or notice of termination.

What a sad commentary it is that what we are debating in the chamber is the degree of notice required and the level of severance pay. It is an admission on the government's part that that is where it is at in Ontario now; that is your economic policy. It is crazy.

Hon. F. S. Miller: I find it difficult to think we don't have the opportunity to do those things. In fact, we often make statements of that nature through the forum of the budget. In the budget I make a prediction of the number of jobs I think will be created in the course of the year.

Mr. Laughren: Not by sector.

Hon. F. S. Miller: Not by sector, but in gross total.

Mr. Laughren: What good is that for the auto parts sector?

Hon. F. S. Miller: It is very difficult to have overall objectives without looking at the sectors in the analysis. It is not particularly difficult to put figures in. I guess the answer is how much control one has over the results.

Mr. Laughren: That's the question, isn't it?

Hon. F. S. Miller: If I have a good year and there are 165,000 jobs, you fellows don't really

attack me too much and tell me that I have not done a good job, because whether it was me or the luck of toss that day—

Mr. Laughren: We know it is not you.

Hon. F. S. Miller: You know it is not me when it is 130,000 jobs.

Mr. Laughren: You don't intervene.

Hon. F. S. Miller: In the year when it is 40,000 jobs, it is me. That is the role of the opposition—to hit me when the interest rates go up even though they may be controlled by forces that are well beyond the government.

Mr. Laughren: I will come to that in a minute.

Hon. F. S. Miller: I think Ontario's thinking is currently saving the average Canadian about four per cent on interest. A year ago we could not get through to the Bank of Canada the fact that the interest rates should be anything but American plus. Do you recall our making a presentation a year ago which said that we believed the time had come for Canada to be able to act in a manner somewhat independent of the US interest rate?

Mr. Laughren: Yes.

Hon. F. S. Miller: Even Germany, the classic country, is not independent of that interest rate, or Japan. You all used these countries as examples to say, "They don't get hit by the American rates." They are now admitting they are affected by it, that they cannot prevent their massive capital flows.

Germany is into deficit trade balances for the first time in its history. I think you know that. Why? Because they have had to see the fiction of the theory that they adjusted to the world price for oil. I have been hearing that for the last five years. They no more adjusted to the world price for oil in deutsche marks than fly. All of a sudden the deutsche mark has lost its glow and the world price for oil is costing more deutsche marks—not dollars, but deutsche marks. Suddenly, the reality of that is showing up in their trade balance. Some of the magic that allegedly attached itself to good management of countries is starting to be tarnished.

Mr. Laughren: Just think, if we had the same federal government now as we had a year ago—

Hon. F. S. Miller: We would probably be much better off.

Mr. Laughren: We would have the price of oil above world levels if Joe Clark had stayed in.

Hon. F. S. Miller: I would understand what it is if they were still here. I have some trouble yet understanding what it is.

Mr. Laughren: I have some sympathy there. A pox on both your houses; may both your tribes diminish.

Mr. McGuigan: Most of us would understand the difference between \$40 a barrel and \$75.

Hon. F. S. Miller: But what you did not understand was eight per cent royalty tax is really 25 or 30 per cent of profits—12.5 cents a gallon slippage into the fund for the nationalization of the oil industry. You cannot fight that one too much, Floyd. I have got you both.

Mr. Laughren: I am salivating.

Hon. F. S. Miller: The increments for the refinery gate charge, which has been slipped in—actually to balance off the price of oil; they have a number of little things they snuck in there that no one even paid any attention to.

Mr. Laughren: Maybe some day you will tell me about—

Hon. F. S. Miller: Somebody said “too cute by half” the other day, and I think we would agree that, yes, it confounded the average person in the street long enough for them to get away with it. But it didn’t take more than a couple of days in the computer for those who really follow it to sort out what he was really doing.

Mr. Laughren: I will move on to another topic, but I really think you are doing the Treasury a disservice by not being very specific on these employment targets, deficit targets and so forth, because that is really the only way you are going to—

Hon. F. S. Miller: Let me not oversell in advance, because I don’t want the—

Mr. Laughren: The BILD program.

Hon. F. S. Miller: —the Board of Industrial Leadership and Development program. You knew I was going to refer to it.

Mr. Laughren: I knew.

Hon. F. S. Miller: Would you like to read my script?

Mr. Laughren: I almost hesitated to raise it because I thought you might say that.

Hon. F. S. Miller: Let me not oversell the benefits of that, but please take a positive attitude to a potential for it.

Mr. Laughren: It is a continuation of the employment development fund.

Hon. F. S. Miller: No, it is not.

Mr. Laughren: Sure it is.

Hon. F. S. Miller: EDF was a reactive operation whereby an industry came to us and said, “We have a proposal to do something in this province”—or somewhere else—“and we need some assistance to make it possible to do it.”

BILD is ministry and government. Through it we can go out and create policy, integrate ministries’ approaches to problems and infuse money into the economic development budgets of ministries, all the while reviewing the spending already going on in case it may not have a cost benefit ratio that we believe is worth the investment.

I would argue it is totally different. “Pro-active,” I think, is the word my staff would give me.

Mr. Laughren: Preventive even.

Hon. F. S. Miller: It is going to be looking at the kinds of problems you have talked about.

Mr. McGuigan: Affirmative action.

Mr. Laughren: Don’t talk to this ministry about affirmative action.

Hon. F. S. Miller: My dear friend, come and see who runs my businesses if you want affirmative action.

Mr. Laughren: We are talking about the business of Ontario today, not Santa’s Village.

Hon. F. S. Miller: I wasn’t talking about Santa’s Village.

Mr. Laughren: You have others—all those used car lots?

Hon. F. S. Miller: I was thinking of my hotels.

Mr. Laughren: You should franchise them.

Hon. F. S. Miller: They are all run by women. That is true.

Mr. Laughren: Who has the franchise for the high speed drills?

Hon. F. S. Miller: They are made in the United States. I sold mine.

Mr. Laughren: The deputy probably bought it.

Hon. F. S. Miller: I realize that half the audience never catches what you mean by that.

Mr. Laughren: Doesn’t everyone understand that a high speed drill is used to turn back odometers on used cars? I thought everybody knew that.

Hon. F. S. Miller: Only those who have done it understand it.

Mr. Laughren: I have a brother in the business.

Hon. F. S. Miller: He must be a Conservative.

Mr. Laughren: As a matter of fact—

Mr. Charlton: That is right, Frank. It says a lot.

Mr. Laughren: Show me a used car dealer who is not a Conservative and I will show you one who is probably going broke.

I would like to shift to something that we

spent a lot of time on earlier this year, and that is interest rates, without going through all the underlying causes of what the interest rates problem is.

In the spring, there were three sectors of the Ontario economy that were having a little difficulty with interest rates—the agricultural community, the small business community and the third was the home owners, or would-be home owners.

The Treasurer took action on the agricultural community. I would be interested in knowing how much that has cost the Treasury.

10:50 a.m.

Hon. F. S. Miller: I will not know for a while. I think the period during which they can make the claim starts about the middle of this month—somebody could tell me if that is correct on the farm interest subsidy; I think they make their claim after December 15, if I recall the program properly.

Mr. Laughren: With \$1 million dollars sitting there I am sure you will get an answer.

Hon. F. S. Miller: Yes.

Mr. McGuigan: It covers nine months, doesn't it?

Hon. F. S. Miller: Yes.

Mr. Laughren: The other is the small business community, where you had that tax write-off incentive. For the third, the home owners, nothing yet has been done. The provincial Liberals put forth a proposal to you in the spring; and we, as a party, a caucus, put one forth to you as well. Ours was designed more to benefit the lower income groups—I think it was \$25,000 a year and under—and the Liberals went downwards from \$37,500. Naturally, the Liberal proposal was more expensive because it provided relief to people in higher income levels. Ours was a very modest proposal; some people were surprised that it was so modest.

Mr. McGuigan: You don't shoot high enough.

Mr. Laughren: We thought we would be fiscally responsible, as we always try to be.

Our system would have given a family earning \$15,000 a year a grant of \$1,320, a little over \$100 a month, to ease the burden. Someone who earned \$20,000 a year would get a grant of \$672 annually, or roughly \$50 a month; and someone at the \$25,000 level would get \$144 a year, which would not be much but that is the way it works with a progressive, geared-to-income system. We thought the overall program would have cost around \$20 million, although we don't have the access to computers and experts that the Treasurer has.

At some time the Treasurer is going to have to

move to put in place a system like that. We end up now, in Metropolitan Toronto for example, with a vacancy rate in rental accommodation below one per cent, which is really tight. People who cannot get rental accommodation are forced prematurely into home ownership, although with the skyrocketing prices on homes they should not be there yet and they are going to need assistance on their mortgages. It is not as though they had many choices. The lack of rental accommodation is forcing them into home ownership, and yet home ownership, with the cost of mortgages at such—

Hon. F. S. Miller: Just let me digress for a second. One of the basic problems we talked about, which has been a byproduct, to some degree, of rent control, has been the growing disparity in the cost of existing rentals in place before rent control came in. I am not talking about new buildings, necessarily, which were freed from—

Mr. Laughren: New buildings are not under rent control.

Hon. F. S. Miller: That is what I am saying; although they are, to some degree, governed by the marketplace rentals.

Mr. Laughren: Assuming there are vacancies.

Hon. F. S. Miller: Yes. I was not involved in the debates, but some members of our party took many months explaining what happens when rent control comes into place. They defined exactly what you are discussing as the logical, normal outcome based upon the experience in other jurisdictions; that is a drop in the occupancy rate, increase in the kinds of deals that are under the table, key money, et cetera.

All these things are a function of a tight marketplace for rental. There is lack of incentive to move into owned housing and general decay in the level of maintenance and service in rental accommodation as owners try to cut variable costs and so on.

I am not going to try to argue the merits of that. I would, however, argue that, fundamentally, if one rents any product, whether it is a car or a house, versus looking at the true costs of owning that particular item, the odds are very good that there should be a slight skew—we have had this word before—the higher costs should lean towards rental because there is going to be a certain element of profit on the service of rental and the risk of rental.

That is very true of the automobile business. Many people rent for the convenience, or the bookkeeping, or the tax write-offs, or whatever it may be; or the lack of financial swat to go out and raise the money. The cost inevitably ends up being more than ownership on a gross basis.

In the housing market that is not currently true. Where comparable housing is available for rent—I am not thinking of an apartment so much; you have to compare that with a condominium perhaps to make the comparison—right now it costs most people more to own than it does to rent. The magic is not that ownership of housing is too high, because it reflects the market at that time, but that the return to rental owners has been lower than that which would normally be expected on the current value of their asset. This, then, has made renting very attractive and has made owning difficult to justify for those who do not have, let us say, a strong proprietary drive to get out of the business of renting and into ownership.

One would hope that the equilibrium of the marketplace, where the costs are about in balance, would allow one to choose more freely, based upon whether you want to own or not. It would depend on the kind of people. If you were a person whose job is subject to rapid change in location you may wish to rent; if you are a person who enjoys—if you are more hedonistic than others, you may wish to rent.

Mr. Laughren: You tell the person who cannot afford a mortgage he is living in rented accommodation because he is hedonistic.

Hon. F. S. Miller: No. I am talking about the ideal marketplace. I was not transferring that into the actual marketplace. These are the kinds of reasons for which people make that decision.

Mr. Laughren: I see.

Mr. McGuigan: I guess that is the wrong term.

Hon. F. S. Miller: I was using a word I read on a board somewhere, with a pretty girl on it.

Mr. Laughren: It is the kind of reading you do in the evenings.

That is going to be the first time a Hansard reporter gets into the debate.

Hon. F. S. Miller: She was the girl on the board.

Mr. McGuigan: What kind of party was that? Interjection.

Hon. F. S. Miller: I really never looked at it.

Mr. McGuigan: You got the words off it.

Hon. F. S. Miller: I can read.

Mr. Laughren: The fact is, however, that when rent review was imposed, it was because there were problems in the rental market and for no other reason. That was why it was imposed in the first place. There was no rent review when the problem was serious, when the problem was critical. There was no rent review at that point. So to say that rent review has

caused the problem, when in fact rent review came in because of the problem originally, is a ludicrous argument. The point is we are getting—

Mr. Samis: Ideological.

Mr. Laughren: Illogical?

Mr. Samis: Ideological.

Mr. Laughren: Ideological, yes; that is exactly what it is. For the Treasurer to imply that we now have a problem in Metro in rental accommodation because of rent review is, as my friend from Cornwall says, an ideological argument that in this case is illogical. Sooner or later, unless interest rates level off or go down—preferably go down—there is going to have to be some kind of program of support.

Last year, last June, the Treasurer, in his discussion paper—do you remember the discussion paper you brought out in the spring?

Hon. F. S. Miller: At your request.

Mr. Laughren: Yes. There were five options. One was to support the private sector initiatives; the second was limited subsidies based on ability to pay; third, direct rate subsidization, which was a broad subsidization of interest rates; the fourth was tax relief, more or less like that set up for the agricultural community only including the home owners in it; and fifth was the regulation of capital markets. Those are the five. It seemed to us then, and it seems to me now, that the one which a province is best able to cope with is number four, the tax relief.

11 a.m.

Hon. F. S. Miller: Do you agree with one thing, and I am not trying to transfer the blame, but would you agree that we did at that time stress the importance of federal participation?

Mr. Laughren: Yes.

Hon. F. S. Miller: We did have reason to believe, based upon a visit to Ottawa on March 17—when Mr. Cosgrove, I think, and Mr. MacEachen, met with Claude Bennett and me—we had reason to believe from Mr. Cosgrove's statements immediately after his appointment as the minister responsible for housing, statements which we heard as those of a minister coming from a major urban riding, that there was a sensitivity to the problem and that there would be a national kind of program. I think we left the meeting still believing there was, and it was only some while later it became obvious that either they did not have the financial resources to do it or the willingness, and I never knew which it was.

It is very frustrating for a government of our level, that has been doing a good job of manag-

ing its spending and revenue sources, relatively speaking—even grudgingly, you have to admit that—

Mr. Laughren: Not revenue sources; expenditures maybe, but not revenue sources.

Hon. F. S. Miller: —in terms of our budget and fiscal policy, to see the whole load for policy decisions that are not within our own authority falling back on us, we argue strongly that where there is a national problem—and inflation most certainly is a national problem; it is worse in some provinces than in Ontario, as you know—we have every reason to believe that the authors of monetary policy should be in the programs to alleviate impact of the problem, because they have much greater fiscal capability or access than we have—and we need the help.

Ontario does have very many real problems in terms of flows of cash from the province. It is important to look at what is really descending upon the people both you and I represent as the price of oil goes up. Let's not argue about whether it should or should not, let's only argue about the reality of it.

A figure I saw this week said that we currently spend \$7 billion for the purchase of petroleum products in Ontario, and that within about three years it would go to \$11 billion; and of that \$11 billion, \$8.3 billion would rest with governments in the form of taxes and royalties. Somebody can check my figures but I think I am accurate. Am I accurate in this? Yes, I am getting the "yes" from my staff.

By the way, I have two corrections to make in the record for things I was not accurate on last week. My staff are too polite, they do not interfere and say, "You are wrong, minister," until later.

Mr. Laughren: You have terrorized them.

Hon. F. S. Miller: Yes, I terrorize them, you can see them shake over there. I forgot an elementary rule of arithmetic which I will explain to you so you will not accuse me of playing games. Where was I?

Mr. Chairman: You were talking about \$8.3 billion.

Hon. F. S. Miller: That money flows out, and flows to other governments in the main. As much as 90 per cent of the potential future increases could flow to governments under certain conditions. On average, about 25 to 30 per cent remains with the companies, but of the incremental prices a great chunk has the potential to go to governments. So the taxpayer of Ontario in effect buys a consumable product paying a price that is really a tax in another jurisdiction, it is going to a government.

In turn, since that government so far has not

really been the federal government—the new budget goes some way to correcting that, gives them more access to the money—there is a heightened demand at the federal level for transfer payments that are in some way related to the price of oil, like equalization. And again, the federal government has a very limited right to tax, since it cannot tax other governments yet, and it falls back upon its legal, traditional sources.

We have to stress that 43 per cent of the current source for that is in Ontario. So in effect, we pay for a commodity, we flow the money to other governments, and in turn we have to bear the costs of a central government because we are still their major source of revenue. Again, the taxpayer contributes to something flowing to other provinces in the main.

I have to argue with you that because of that massive effect upon the people you and I represent, we have good cause to unite and say, "Fine, if the price of oil must go up, then there have to be Canadian benefits, in some way shared in a broader sense rather than having the great bulk of the load fall back on our people twice; or, the support programs—for interest rates, home heating costs, whatever program may have to be provided—should be shared with the central government, rather than making us not only pay our share of those extra taxes but come back on our own provincial resources for supplementary aid programs." I hope you will buy that argument.

Mr. Laughren: I happen to agree that the responsibility for interest rates does indeed lie at the federal level, I have no quarrel with that at all. The monetary policy is federal in scope and that is where it should be. But you would be the first to admit, I believe, that when the federal government does not provide the proper support, the province simply must.

Hon. F. S. Miller: With great reluctance, I would say it does. I am not arguing that, because we will say when a need is crying enough we have to do something, whether it is farm assistance or whatever; but you have to understand that our resources are not able to do all these things without assistance.

Mr. Laughren: But the federal government does the same thing. The federal government could argue it is in programs it should not be in either, because you are not doing an adequate job. I could talk about post-secondary education, I could talk about medicare, housing—

Hon. F. S. Miller: Just a minute. As Minister of Health, I had to sit in with my federal friends in the years when they were cost sharing the

programs that are under established program financing—health, post-secondary education. There was no philosophical reason at their end for the change to tax points plus inflation factors; it was simply, "You guys do not control the costs worth a damn as long as we are cost-sharing, so we are going to put the heat on you and we are going to give you a formula that makes you the beneficiary of money you save." Mr. Lalonde at that point was projecting catastrophe if he were forced to cost-share into the future. We asked for tax room, if you recall; straight, plain tax room. He said, "No way, because you will do too well."

Mr. Laughren: You do not take the tax room when they give it to you.

Hon. F. S. Miller: Just a second—"So we will give you half tax room and a complicated formula." They projected that would cost them less than tax room and they were totally wrong in their projections. Now they are trying to change that whole argument around to say, "Here are the provinces; they are not spending the money they should be on these programs. We were generous and we gave them a flow of money that has exceeded the growth in their transfers." Baloney.

Mr. Laughren: Is it not convenient for you to say the federal philosophy is baloney, which it may very well be?

Hon. F. S. Miller: Not their philosophy, their response.

Mr. Laughren: The response, all right. When it suits your purpose that is what you say, but when they do give you tax room, such as with the capital gains, such as with the succession duties, what do you do with it? You do not use it anyway.

Hon. F. S. Miller: I always had tax room in succession duties, I do not believe in them.

Mr. Laughren: That is exactly right, you cancelled it. You had it and you threw it away, and now you are crying because—

Hon. F. S. Miller: I am proud of it.

Mr. Laughren: I know you are, that is what I am saying. Do not complain to me, then, that the federal government does not give you tax room when you do not use the room you have. That is—

Mr. Samis: Ideology.

Mr. Laughren: —a spurious argument.

Hon. F. S. Miller: That is exactly why people vote for a Conservative versus an NDP. If they cannot understand the difference we cannot stand up and say, "Choose me."

Mr. Laughren: Do you really want an analysis of the Carleton by-election right now, Frank?

Hon. F. S. Miller: You would at least be in a position to make an unbiased appraisal because you were not in the race.

Mr. Laughren: That is correct, we were not a close contender in the Carleton by-election. All right, fine, you have thrown the gauntlet down.

Mr. Samis: The Premier was there five times and he did not speak once about succession duties, not once.

11:10 a.m.

Hon. F. S. Miller: I was only down twice.

Mr. Samis: Yes, but he was there five times.

Mr. Laughren: All he talked about was the evils of bilingualism.

Hon. F. S. Miller: When I took my two trips through the riding, knocking on doors, working—

Mr. Samis: On polls.

Hon. F. S. Miller: I did several polls.

Mr. Samis: Darcy would never have done that.

Hon. F. S. Miller: I realized that every person I addressed knew fully what was in my budget, what I had done, so I didn't have to say too much.

Mr. Laughren: Does the Treasurer have a point which he thinks would be appropriate for support for interest rates? For example, we have always used the proportion of gross income that goes to a mortgage payment.

Hon. F. S. Miller: The 25 per cent figure?

Mr. Laughren: Twenty-five or 30 per cent.

Hon. F. S. Miller: It is very difficult to choose a figure arbitrarily. If one looks at what I call, in the classical sense, the perfect consumer—the ideal, the model or whatever it is that the economist likes to look at—who is in the average income range, with a commitment made to purchase a home in any period that is far enough back so that it is up for renewal in the current high inflation period with the 50 per cent increase, one would have to say that the lenders probably took that kind of ratio into account when they decided whether the applicant for the mortgage could or could not afford the payment regime that was set up.

Mr. Laughren: At the beginning.

Hon. F. S. Miller: At the beginning, yes. Most mortgages that were subject to renewal in the last few years had a five-year rollover. I recognize that we are getting into shorter and shorter time frames as lenders and borrowers get nervous. I have one that is for 30 years with no renewal

clause—13 years ago that was quite normal—and no penalty for getting out, at seven and three quarters per cent. I am not about to get out.

Mr. Chairman: Ask him if it is with an institution.

Hon. F. S. Miller: It is with an institution. It is with a bank.

The fact is that in 1975 the decision would have been made to allow me to go up to 25 per cent. If I am an average worker, I have had somewhere between six and 10 per cent annual increments once a year for five years. Let us assume no other change in the family earning power, no new people in, no old people out, which can materially affect individuals. If you took an average of seven per cent a year, and that is probably low, over five years you would probably compound it to somewhere around 44 or 45 per cent in salary change in that time. Would you buy that?

Mr. Laughren: Probably.

Hon. F. S. Miller: We could use 50 for arithmetic's sake?

Mr. Laughren: The minimum wage has not gone up that much, but carry on.

Hon. F. S. Miller: I can then only say that the person coming into this year's market has something like 50 per cent more gross income. So if the mortgage payment had not changed at all, if the interest rates had not changed at all, if the 12 per cent or 10½ per cent, or whatever it was five years ago—10½ was the figure they used in the Toronto Star article yesterday, I think—that \$475 a month would not now be 25 per cent, but two-thirds of that or somewhere around 16 per cent. If one allows for the interest rate change of 50 per cent, or the costs of 50 per cent on the current level, you will find that brings it right back to 25 per cent.

Mr. Laughren: If everything works out the way you tell it.

Hon. F. S. Miller: I think we have to agree that we are talking in theory now, not in terms of what happened to individuals but what happened on average; and there are great risks in talking about average. Let's assume that was fair. Then one would say that person is still at a level that you and I would agree is supposed to be acceptable.

The trouble is the ideal consumer, the one I started talking about, has not stood still in the five years. As his income went up, if he is a normal consumer, he either made discrete purchases of objects for cash or, more likely, for credit. There is a great tendency for us to fill up our available income with credit payments on the average level.

So he does have a major problem, in that only 16 per cent of his gross income is being allocated to the house one day, and it goes to 25 per cent the next day; and he can't do anything about the payments he has picked up in the meantime. I think that is really the kind of problem we run into, on average, with the rollover mortgage.

I could criticize the Toronto Star article on a number of points, but I don't know how critical they are. If it is the first time through the mortgage, the \$50,000 magic figure they have used has probably not dropped more than \$2,000 or \$3,000, so they are close to right. If it is the third cycle of the mortgage, the thing may have dropped as much as \$10,000 or \$12,000 in that period of time, and you will be refinancing—unless you play some games—a much lower capital amount this time. So their arithmetic does not work out properly under those circumstances.

I am only saying I accept the problem; I am not trying to duck it. I know that somebody should have been thinking ahead and saying, "I must leave room in my salary," but human beings do not always do that. So you have adjustment problems, rather than fundamental problems in terms of the percentage of income that is allocated to the house. That is all I was trying to say.

Mr. Laughren: The figure that bothered me the most in the press reports was the average income required to buy a home in Metro now. For the average home it is over \$37,000. If someone is earning \$50,000 a year and wants to buy a home and make those payments, that's fine; but the fact that you have to have that kind of income says a couple of things: most people simply can't do it, and the system is reinforcing the need for two incomes in a family.

Unless there are two incomes in a family now, young people simply cannot get into a home. That leads to something else, in a circuitous way perhaps: the question of day care. See how you compound the problem? People are being required to work just to get into homes. Rental accommodation is not available, so they are being forced to buy homes. They try to buy homes, and if they have young children what do they do with them? You are not providing the support for day care. One problem seems to compound another.

As long as you sit back and blame the federal government or say that the marketplace will look after it—

Hon. F. S. Miller: There are a whole series of problems; and I am not about to lecture society on what its priorities in spending or allocations should be.

Mr. Laughren: Just tell us—

Hon. F. S. Miller: What I want to say is this: Go to almost any other jurisdiction in the world, except the United States, and start comparing the basic share of family income that goes for necessities; we come out looking like winners right across this world. We have left more room—

Mr. Laughren: Frank, you cannot compare—

Hon. F. S. Miller: You can, doggone it.

Mr. Laughren: Those with more democracy than Guatemala?

Hon. F. S. Miller: I am looking at Great Britain, at Germany, at France. I am looking at the so-called well-to-do countries that we have been envying. I find, as I did on my last trip, the vice-president of a bank saying, "I cannot afford to buy a house in Germany." When he tells me what the price of that house is and what percentage of his income he has to allocate for housing, our 25 per cent looks pretty good.

Mr. Laughren: You judge a society on how far it is falling short of its potential.

Hon. F. S. Miller: Just a second. All I am saying is sure, we have to work on that, but I have very fundamental beliefs that we can do it. I am in no way trying to lecture Canadians, as Mr. Trudeau did the other day, on what they should expect out of their economy, but we have to recognize that the productivity of our economy, which is something we can do something about, determines what share of our dollar is left over to spend as we wish.

Mr. Samis: You made a continental comparison, though. Leave it on the shores of North America. Compared to the south, we don't come off too well.

11:20 a.m.

Hon. F. S. Miller: I said save the United States—

Mr. Samis: I know, but that's a very selective comparison to make.

Hon. F. S. Miller: —because I think they have some of the economies of scale in the provision of basic services that we have never had, and in merchandising. One of the fundamental reasons an automobile made in the United States costs more in Canada than it costs in the States, after allowing for all taxes, is because you are spreading 25 million people over one heck of a big distance and your costs of distribution are higher right off the bat. That is true of almost any product you want to name.

Mr. Samis: But in the line Floyd is talking about there, the government does take far greater initiative in mortgage assistance—

Hon. F. S. Miller: Okay, they do that at the tax level and it is a very fundamental difference in our approach to the system. Yes, you are right.

On the other hand, how about their health care insurance? They have not done it. One of the great shocks—

Mr. Samis: Sometimes we almost get the impression you envy them for the government staying out of these things. That's your argument—

Hon. F. S. Miller: No, not at all. All I am trying to tell you is that the tax one raises has to be related to the things on which one spends. And if one has a bunch of tax relief in the present American approach, in the absence of general health care programs, I want to lay you odds they won't have a lot of those, if they are in them, as we are. That's all. Because one pays for them through the money the state raises in a more direct way.

That is no argument for or against it. The other day I was being given the total budget of the state of Michigan which has the same number of people as Ontario—and I could be wrong, I've been wrong—but it seems to me their total budget equals our Ministry of Health budget.

Mr. Samis: That is just like comparing the budget in Georgia and Ontario.

Hon. F. S. Miller: They are total budgets.

Now, can I correct a couple of little mistakes I made in the record? I don't want you to accuse me of misleading you, and I hate to have the printed word there for people to look at in the future.

Last week we were talking about support to education and the percentage support, and I added on a couple of figures for transfer payments or the payments made on behalf of teachers' pension funds, and payments made directly to property tax credit recipients. My staff pointed out that I made an elementary error in arithmetic. I added to the numerator but not the denominator. I had to add it on both sides of the figure, so my percentages were somewhat overstated.

Mr. Laughren: I'm surprised I didn't catch you on that.

Hon. F. S. Miller: I just say that reduces my estimations of our total support to something closer to 60 rather than the 70 I think I ended up showing you.

The second area was when we were very briefly talking about the companies which are in the syndicate. When someone was asking me some questions about the syndicate—I think David Peterson was asking this question—I was saying that where companies have equal shares of the underwriting, we put them in alphabetical order. Otherwise they are ranked according to their share in a declining ratio.

I named the second company from memory and was told that I had that wrong. It was not Burns Fry; that was the example I gave. It is probably third, fourth or fifth down the list. I just want to say my recollection of who was there was wrong. I think it reads Dominion Securities, A. E. Ames, in the latest—

Interjection.

Hon. F. S. Miller: The co-managers, yes. Just so someone doesn't come back and say I was wrong. Okay?

Mr. Laughren: That's fine. I have to leave for about two minutes.

Hon. F. S. Miller: I was asked to go to cabinet, but I told them I couldn't go until you were finished with me.

Mr. Laughren: I'm not finished with you.

Hon. F. S. Miller: You're not finished with me. Well, can we both go at the same time?

Mr. Laughren: Yes. Can we have a five-minute adjournment?

Mr. Chairman: Sure. We will adjourn for five minutes. Mr. Smith could take the chair maybe for about 20 minutes and I will just touch base on the plant closures committee. Is that all right?

The committee recessed at 11:25 a.m. and resumed at 11:28 a.m.

On resumption:

Mr. Laughren: A couple of matters to raise, Mr. Chairman. One is the matter I raised briefly before and I feel in view of some of the comments the Treasurer made this morning—by the way, I think the Treasurer's attire this morning is more appropriate than it was last night. Do you recall what you had on last night?

Hon. F. S. Miller: Oh yes, I was dead sober.

Mr. Laughren: At the Albany Club?

Hon. F. S. Miller: No, the York Club. It was a retirement dinner for J. Keith Reynolds. All the Treasurers still living but one were present.

Mr. Laughren: He was out acquiring land, was he?

Hon. F. S. Miller: No, he was there beside me on my left hand, quite appropriately.

Mr. Laughren: What I wanted to raise was the study done by the Canadian Institute for Economic Policy this year, which has to do with the potential for investment in energy-related projects, megaprojects is what they are referring to them as, most of them in western Canada. They are saying that the equipment requirements are going to be in the neighbourhood of \$60 billion to \$70 billion.

While the Treasurer can bemoan the portion

of oil revenues that are going to the various levels of government and so forth and not to this government, the fact is there is still a lot of potential for Ontario to turn that adversity into some gain and to utilize that enormous potential there, because we already have the infrastructure and we could be getting a lot out of that.

11:30 a.m.

Obviously, Alberta is going to be flexing its muscles too. They have that heritage fund which they obviously want to use to help diversify their own economy and unless we are in there swinging we are not going to be getting as much of that potential growth as we could be. If we do not, it is going to slip away. The opportunity will be there but it will not be there forever.

I know the big problem once again is going to be the Treasurer's insistence that if it is appropriate the private sector will do it, but I want to tell you that is not the historical evidence we have before us and we need to look at the rest of the machinery sector.

What was the deficit last year in the machinery sector in this country? Over \$5 billion, I think. That is incredible with this potential, and we are only talking of the next 20 years.

Hon. F. S. Miller: We have had analyses done on this and, far from disagreeing with you, I completely agree.

Mr. Laughren: Ten years, sorry, not 20.

Hon. F. S. Miller: The percentage that remains in Canada or is potentially available for Canadian procurement and the percentage that is, by most estimations, available for Ontario sourcing, varies depending upon the phasing of those projects.

Some companies have made reasonably impassioned cases. The steel companies have pointed out that they badly need the jobs now while there is a slump in their other markets. The engineering people will point out that they can only handle so many projects at a time. All of these do flow back with figures in the 25 to 30 per cent range in Ontario for the gross values of the projects, according to the best analyses made—not by us particularly; I think we have looked at other people's figures and basically agree with them. Is that right, or have we done them ourselves?

Come up, Cliff, you can sit here and answer that. Cliff Jutlah, who looks after this.

Mr. Laughren: What does he look after?

Hon. F. S. Miller: He helps me with assessing the impact of these big projects you are talking about.

Mr. Laughren: What is his title?

Hon. F. S. Miller: Cliff, if you want to define your title for the record, someone may have it there.

Dr. Jutlah: I am a senior policy adviser in the office of economic policy.

Mr. Laughren: Good Lord. We are glad to have you here. I have given the response to the Treasurer that I did not know such a person existed.

Hon. F. S. Miller: What he means is he suspects I have never taken any advice. Do not let him convince you of that.

Mr. Laughren: I am sure you have given him good advice.

Dr. Jutlah: We cannot be sure the advice we give is always right, but we try.

You are referring to that study done by Beale for the institute and it is true, it shows something like \$65 billion to \$70 billion in potential outlays on machinery and equipment. Depending on the type of project, you may get something in the order of 20 to 25 per cent overall flowing through Ontario in purchases of machinery and equipment. Most of these projects are labour intensive; and construction, of course, is concentrated in Alberta or in the west more generally.

If you take something like a pipeline where there are huge expenditures on fittings, valves, compressors, the pipes themselves—large diameter pipes—Ontario does stand to pick up a fair portion of the orders. In this connection one has to bear in mind that Interprovincial Steel Company is expanding its own capacity and the Ontario steel industry has expanded in anticipation of very large outlays on these projects.

If you get a concentration of projects within, let us say a five-year period, 1981 to 1986, then the Ontario segment of the industry will indeed be operating at capacity. If you do not get that kind of bunching, if you get it spread out over 10 years rather than just five years, the proportion may be smaller. So a lot depends on how these projects are bunched and whether you get pipeline construction coinciding with oil sands construction at the same time.

Mr. Laughren: That sounds reassuring, but I am not reassured. I look at what has happened in the last 10 years without these massive megaprojects, and it is very distressing.

This comes from Statistics Canada, imports by commodities, and between 1970 and 1979—it only goes up to the end of November 1979, when this report came out so it would be even slightly more than what these figures reveal—going through some of those equipment items you listed, I think it is worth putting this information on the record of these estimates.

These are the Canadian imports by commodity: Hydraulic turbines and parts between 1970 and 1979 went from—I will use round figures—\$2 million to \$30 million; gas turbines went from \$10 million to \$26 million; well-drilling machinery went from \$39 million to \$300 million. This is not labour, but parts.

Petroleum and gas field production equipment, \$11 million to \$96 million; valves, from \$44 million to \$101 million; fittings, from \$33 million to \$120 million; zirconium alloys, from \$3 million to \$13 million; diesel and semi-diesel engine parts, from \$25 million to \$133 million; and construction equipment, broadly, \$166 million to \$721 million.

I look at those figures and I do not see any change in the infrastructure out there—perhaps you do—that says we will be there when that \$67 billion is spent—not on labour, on equipment and supplies and machinery—in the next 10 years.

Hon. F. S. Miller: Let me tell you one of the basic problems being pointed out to me by at least one of the consortia trying to get a major project going.

First you bring a group of companies together willing to finance the project. They make their estimations based upon their cost estimates; they go out and look for their major subcontractors—that may be the best word—be they engineers or potential manufacturers of parts. They may even get to the point, as some of them have, of making commitments to engineering companies to be ready and, in effect, to be standing by.

Then, of course, they run into these interminable delays caused by the arguments between our levels of government over all these things we have heard in the last few months.

I am not wanting to open that can of worms, but I am only looking at the impact upon the groups that are trying to make an investment decision. They have become extremely frustrated. The companies that are prepared to do the engineering, and in many cases have been trying to get staff to do it, find they have a lot of problems keeping staff with nothing to do, so they go out and bid on other things and unfortunately may not be available the day you want them.

The company that may have the potential to do some of the heavy fabrication, or even any other part—

Mr. Laughren: I share your concerns for that, but what is your excuse for this?

Hon. F. S. Miller: What I did when I visited Mr. MacEachen on September 18 or 19—I have lost track of the date—was to point out well in

advance that we thought a number of these major projects had tremendous Canadian and Ontario employment and benefit effects and that if we did not in a concerted way start tackling the political problems interfering with them, none of the benefits would flow to anyone.

I am totally convinced that one of the abilities to get a Canadian share is not just a willingness to build a diesel plant; if you go into some of the things we already make and for which we could expand our capacity, there has been the fear that all of this potential business may not materialize in the time frame required to justify the investment. I really feel that the political uncertainties are a major impediment to our long-term ability to get our share of those markets.

11:40 a.m.

I have to argue—and I hope with you, rather than against you—with our federal and our western friends, that there are far more benefits to get some of these projects under way than to continue the approach of standoff we have now.

Mr. Laughren: I do not quarrel with that problem, but let me ask you this. Do you know how many diesel engines we produce in Canada?

Hon. F. S. Miller: I could take a big guess.

Mr. Laughren: Yes, a big fat zero.

Hon. F. S. Miller: Yes.

Mr. Laughren: This figure of diesel engines imports going from \$25 million to \$133 million, that is strictly with energy-related projects. The whole question of diesel engines will be terribly important in the next few years in this country and other countries and there is an opportunity existing on your doorstep right now—

Hon. F. S. Miller: And one we are looking at. You are going to say I have not done anything, but I can tell you it is not just as easy as saying, "Do it."

Mr. Charlton: At least you could answer the door.

Mr. Laughren: Brian does not interject too often but when he does it is usually appropriate.

Hon. F. S. Miller: Oh, yes, yes. I would never argue.

Mr. Laughren: I raise that matter because, unless you get in there and really show some leadership for Ontario, we are not going to get a part of that, because we did not get it in the last 10 years. There is no excuse.

Hon. F. S. Miller: I am more optimistic than you. I am not going to say the state does not have a role, it has. I question whether your

definition of its role and mine are the same. The fact is political uncertainty is more important than role right now.

Mr. Laughren: What about the last 10 years? You can always project—

Hon. F. S. Miller: Those projects were not—

Mr. Laughren: These are not projects. This is what bothers me. You look at it as a project too big a handle, but that is the one reason I used the figures from StatsCan broken down, so you could look at it as a series of individual opportunities, not huge megaprojects.

Any one of those areas is a pretty narrow area. You do agree or you do not agree? The deputy has something to say, I can tell, he is leaning forward.

Mr. Dick: I was just going to interject, Mr. Chairman, that what the megaprojects do, what has happened over the last 10 years, is that those projects have produced a market for the industries which produce these things. I guess what we would look forward to, and what we are looking forward to, and what the real impact is, is the capacity that is being developed, that Dr. Jutlah referred to and so on, is there waiting for the demand to come.

It is the market, the demand for the product, that leads to the industries, and so on, coming in to produce the capacity to make up those deficits. That, of course, is what we have been—

Mr. Laughren: Yes, but once that demand is there, it is going to be instantaneous almost, is it not? When suddenly there are tenders put out for \$1 million worth of valves, for example, you cannot then say, "Let us form a conglomerate or a group of companies and see if we can look after this, and let us form a crown corporation to make these valves." It is too late. The existing companies in the United States are prepared to do it tomorrow.

Hon. F. S. Miller: Let us go to the case of steel, steel being a very fundamental part of it. I think if one looks at the expansions of the three major steel companies in Ontario, their estimation of the market upon which they base the expansion took into account the quantities of steel they saw entering these projects in the west on the assumption they entered in the time frames originally planned.

Mr. Laughren: And they will export the steel to the manufacturers in the United States who make the product.

Hon. F. S. Miller: I would be delighted if that capacity that was built up, believing that this market would be in Canada, was totally absorbed in the US market because it would mean there was room for even more expansion in the Canadian steel industry.

Mr. Laughren: But traditionally that is not what has happened. We have just exported the material and that is it.

Hon. F. S. Miller: You surely cannot be against an export market.

Mr. Laughren: Do not distort what I am saying. What I am saying is that they will expand the export of the fabricated material called steel, and then the valves will be made, for example, and shipped back in to us.

Hon. F. S. Miller: I am only looking for a steel component because we run the risk of having to import steel if these projects do not come on stream in an orderly way, I am told. That may not turn out to be the case, but I am told there is a risk. The companies have a slump right now. Export markets allowed for, they could still make more steel.

Mr. Laughren: That is the auto-related slump.

Hon. F. S. Miller: Any number of things. The fact remains their own projections of market would show room to make most of the steel if not all of the steel, except specialties, that will be required in the projects that will be likely to come on stream. Then they get to a hump in their projected demand which may or may not materialize, and it is aggravated very much by delays of these projects, which can move them into that time frame.

I do need to get to cabinet shortly and I don't want to hurry it, but is it possible to pass this?

Mr. Laughren: Yes, it is. There is one other matter I wanted to raise with you briefly and it is really to support Ontario in this regard.

The federal government has announced unilaterally, arbitrarily even, that their community services contribution program is going to end—I don't know whether that means it is going to end in total or whether it is going to end solely for sewer and water projects.

Hon. F. S. Miller: My deputy says it is not going to be renewed and no more commitments are being made. When we meet on December 17 I am reasonably sure that will be an item for discussion.

Mr. Laughren: When is this other meeting?

Hon. F. S. Miller: December 17, with the federal government and all 10 provinces, and we are going to be permitted, I understand, in the agenda, to bring this kind of issue up.

Already it is agreed that that will be discussed. But what worries me, and I stated this in my reaction to Mr. MacEachen's budget, is the place for the decision that CSCP was being dropped was the budget. It should have been stated there was an intent to do that. If he had

done that, you and I could sit up and yell, but at least he would have served notice of the end of a program and we would understand the rule.

Instead, his budget said, "I will be looking at this matter of transfers to provinces and reducing them." When, within two weeks of the budget, he names a specific one, I sit back and say: "Now how many more shoes are going to be dropping in the next while? Can I trust the budgetary process to allow me to make estimations of what is falling back on the province or can't I?" I cannot.

My fear is that I have only heard one thing and that there is intent to do more. It is very, very nice for the federal government to tell me they have a problem and to withdraw from programs they have encouraged, and which, in fact, are difficult to terminate because there was a need for them and there was a momentum built up. It is, I think, basically an unfair kind of leverage in the beginning, followed by a let-down.

It is not unique, they have done it before. I just sense that we do have to point out the chaos that causes in the minds of Treasurers in every province and the fears about what may happen next.

What is going to happen to the financing of our major established programs in 1982? What other shared-cost transfers can he drop? We have looked at most of them and I cannot tell you, but I share your concern very much. Even equalization, my deputy points out—

Mr. Laughren: Mr. Chairman, I am very nervous and I think it is terribly inappropriate that these estimates should wind down on a note of agreement between the Treasurer and me. But in this case I must say I think his remarks are appropriate.

I am going to do some more work on it. I have asked the Minister of the Environment (Mr. Parrott) to help me, and he has agreed to do so, taking a look at how that is affecting different communities in the province.

These figures I have are not definitive, but I look at the municipality of Sudbury which, thanks to your incredible assessment mechanism, is underassessed now with the mining complexes there. But that is another day's debate, because you simply have not taxed mining equipment or foundations. There are all sorts of options open to you there if you could provide some revenue to the region and you have not taken them up.

Anyway, I look at the city of Sudbury and just the arbitrary cut looks as though it is going to cost over \$700,000—in federal government funds, which is roughly 15 per cent of these projects, I believe; it is dangerous to average them again, but I think it is roughly 15 per cent.

You know what assumption that is based on? That is based on the assumption that one of the major projects is a sewage treatment plant in an area which just happens to be very close to where I live, of which the federal share was over \$1 million, \$1.4 million. You know to even get that approved, they have to have a shovel in the ground before December 31, 1980.

11:50 a.m.

Hon. F. S. Miller: Or, depending on the part of Sudbury, a stick of dynamite.

Mr. Laughren: Exactly, somehow they have to get through the permafrost and turn a shovel this year on the project. That is how unilateral and arbitrary and how short-term—

Hon. F. S. Miller: Let me extrapolate to the province. I think the net cost is, what, \$86 million? That is what it means. So, in sum total, it has left me with an \$86-million problem. Can we leave it at that?

Mr. Laughren: Yes, but may I ask you one thing? Do you have any material that would help us fight the battle with Cosgrove in Ottawa?

Hon. F. S. Miller: I cannot recite it off the top of my head. I will be glad to check and make it available if we have it.

Mr. Laughren: I think that is something we could do battle on.

Hon. F. S. Miller: What is the proper question at this point, Mr. Chairman?

Mr. Chairman: Shall all the estimates for the Ministry of Treasury and Economics carry?.

Votes 901 to 906, inclusive, agreed to.

Hon. F. S. Miller: Let me thank my critics, the one who is absent and the ones who are present. I found your approach very reasonable, one within the limitations that our system imposes. I knew you really agreed with everything I said, but I understand your need to disagree for the record at times.

Mr. Chairman: We will be coming back at two o'clock to begin the estimates of the Ministry of Housing.

The committee recessed at 11:52 a.m.

SPEAKERS IN THIS ISSUE

Charlton, B. (Hamilton Mountain NDP)

Cureatz, S.; Chairman (Durham East PC)

Laughren, F. (Nickel Belt NDP)

McGuigan, J. (Kent-Elgin L)

Miller, Hon. F. S.; Treasurer, Minister of Economics (Muskoka PC)

Samis, G. (Cornwall NDP)

From the Ministry of Treasury and Economics:

Dick, A. R., Deputy Minister

Jutlah, Dr. C. B., Senior Policy Adviser, Economic Policy Branch



No. G-11

Legislature of Ontario Debates

Official Report (Hansard)

Standing Committee on General Government
Estimates, Ministry of Housing



Fourth Session, 31st Parliament
Wednesday, December 3, 1980
Afternoon Sitting

Speaker: Honourable John E. Stokes
Clerk: Roderick Lewis, QC

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LEGISLATURE OF ONTARIO

STANDING COMMITTEE ON GENERAL GOVERNMENT

WEDNESDAY, DECEMBER 3, 1980

The committee resumed at 2:09 p.m. in room 228.

ESTIMATES, MINISTRY OF HOUSING

Mr. Chairman: I see a quorum. Just to review what we have been doing here in general government, we will open up with a statement by the minister and ask for statements from the critics.

Mr. Philip: I was explaining that we will be asking for statements. I understand you are chairman of the standing committee on administration of justice and that either you will be coming back in or someone will be making a statement on your behalf.

Mr. Philip: I would like to give my regrets to the minister and members of the committee. Although I am the Housing critic, I am also the chairman of the justice committee and we have, unfortunately, a very heavy schedule. Mr. Swart has agreed to make an opening statement on my behalf. I have given him some notes. I will be reading the transcripts with interest.

Hon. Mr. Bennett: How are you making out with your justice committee on the Ontario Housing Corporation?

Mr. Philip: That is what is taking a lot of time.

Hon. Mr. Bennett: I thought it was the subpoena matter.

Mr. Chairman: Mr. Philip, we anticipate going to five o'clock and starting next week again to finish off in the morning.

As I am a member of the select committee on plant closures, from time to time I have taken the liberty of slipping into that committee so I can continue to catch a flavour of what is taking place over there, so that when I sit in on a regular basis, I have a full synopsis of the activities of that committee. From time to time I have asked appropriate committee members to take the chair, Mr. Epp, or whoever is available at the time.

I am sure we have been waiting with anticipation and great joy for the Minister of Housing to come forward with his pearls of wisdom. You are on, Mr. Minister.

Hon. Mr. Bennett: But I am not a lawyer.

Mr. Chairman: All the better.

Hon. Mr. Bennett: Mr. Chairman and members of the committee, first of all I am not sure whether the members of this committee and, indeed, of the Legislature, are aware of the fact that today happens to be the seventh anniversary of the creation of the Ministry of Housing.

I am pleased to have the opportunity of presenting the estimates for the year of 1980-81. As the members of the committee are aware, considerable time was spent by two committees of the Legislature this past summer, examining aspects of my ministry's policies and its operations. The justice committee concerned itself with the Ontario Housing Corporation and its related activities, and the public accounts committee took a close look at the land operations of the government.

Because committee hearings raised a number of issues related to Ontario Housing Corporation and Ontario Land Corporation, I would like to concentrate the emphasis of my opening statement on those two areas of my ministry's operations.

In accepting housing as a primary responsibility in meeting social needs, Ontario has made a massive commitment to its public housing program. That commitment can be measured, in part, in terms of the tax dollar investment in the program. OHC's current housing stock was constructed at a cost of more than \$2 billion. Annual operating subsidies are now running at about a quarter of a billion dollars and are rising at the rate of 18 per cent annually.

In fact, Ontario Housing Corporation is the second largest public housing agency in North America and, I believe, the best. Ontario is indeed committed to meeting the needs of the people for government-assisted housing and will remain committed to the limit of its financial ability.

While meeting the needs of the people for housing, OHC and my ministry must also ensure that money invested in assisted housing is used effectively and efficiently. As a crown agency, OHC must fully account for its use of the taxpayers' dollars. Its policies, therefore, must be designed to preserve that accountability, and to ensure that both costs and rents are prudently managed. This is OHC's public obligation.

At the same time, OHC must ensure that assistance is provided equally and fairly to those in the greatest need. Its policies must represent attempts to thoroughly assess those needs. This is OHC's obligation not only to those it serves, but to those who, through taxation, pay the bills. I believe that OHC has met, and will continue to meet, these obligations in an efficient and humane way. To this end, the corporation adjusts its policies periodically to take into account changes evolving in our society.

With a tenant population equal to the population of a city the size of London, Ontario, OHC often finds itself in the forefront of social change, sometimes with other ministries, and sometimes alone. The increasing senior citizen population and the growth of single-parent families are but two of the changes to which OHC must address itself.

This is no simple task, and I assure you, Mr. Chairman and members of the committee, there are very few simple answers. The corporation inevitably becomes involved in the personal problems of its tenants, and it is here that the efforts of our community relations workers ensure that OHC is not just another landlord, but a compassionate and understanding one as well.

Various groups have called for increased construction of OHC-type assisted housing, or for the acceleration of the municipal nonprofit housing program, now the main thrust of Ontario's efforts to provide social housing. We are completely supportive of the nonprofit housing corporations.

Last year, as part of the disentanglement agreement between ourselves and the federal government, the federal minister responsible for Canada Mortgage and Housing Corporation agreed that the responsibility for the administration of private—I emphasize the word “private”—nonprofit housing programs should be transferred to the provinces concerned, of which Ontario is one.

I submitted to my cabinet colleagues a proposal to supplement the federal subsidies in both the private nonprofit and the co-operative programs, and to provide contributions for startup funding and resource groups. With the change of federal governments, however, came a change of attitude as well.

Despite repeated inquiries, we ran into a wall of silence on the subject, and it was not until Monday of this week that I received notice from the federal Public Works minister, Mr. Paul Cosgrove, that his government has decided to retain the responsibility for the private nonprofit housing program. By way of explanation, Mr.

Cosgrove said that over the last few months, and I quote him, “The federal view of cost-shared arrangements has been reconsidered within the broad context of the constitutional debate.”

The municipal nonprofit housing programs had received an earlier setback with the termination by the federal government of the community services contribution program, which provided a 10 per cent capital cost write-down for municipal nonprofit housing projects. I will take the opportunity to refer to this a little later in my remarks.

Another factor in our ability to meet demand for assisted housing is the overall shrinking in recent years of the waiting lists for assisted housing. I am convinced that those who need assistance are being dealt with adequately through the current annual turnover rate of our units, which now runs between 10 to 13 per cent on an average in Ontario.

The reduction of waiting lists is evident across the province, and a number of reasons have been suggested for this. OHC is no longer the only source of rent-geared-to-income housing for our population. In addition to the contribution to the public housing stock under the co-operative and nonprofit programs, these reasons include the fact that rent review has stabilized rents to allow those who might have sought OHC housing to remain in the private rental market. The increasing incidence of two-income families has also made rental housing more affordable.

The issue of affordability has been raised, particularly in the area of OHC's point-rating system. By its very nature, the question is a complicated one and to some extent subjective. The variations in local housing conditions are endless and OHC is addressing the problems of the point-rating system. The corporation wants to ensure that revisions will effectively deal with the problems of affordability. A greater proportion of points is being considered for income-related factors.

It should be understood, however, that these significant changes would be made in consultation with our federal partner, Canada Mortgage and Housing Corporation. We have been asked, time and again, to make some rather major changes, and I want to emphasize again these can only come about if our federal partner agrees to them.

As you are well aware, eligibility in OHC is limited to families with children, senior citizens and those with medical disabilities. We have since increased this to include mental disability as well. These criteria were established to

reflect the fact that able-bodied, working individuals are better able to fend for themselves in both the labour and housing markets.

2:20 p.m.

It has, however, become increasingly apparent that a special problem exists, particularly for middle-aged mothers in public housing whose children have moved away—in our terminology, “the empty-nester.” Very often these people may be ill-prepared to compete for a job and their limited incomes, as a result, may not allow much choice in the private rental accommodation.

I therefore intend to look closely at the possibility of increased flexibility for continued occupancy in public housing in situations of special need. It must, however, be realized that such persons would have to be willing to move to accommodation of a suitable size.

Still on the subject of need, OHC has been urged to adjust its rent-geared-to-income formula to assist persons in varying degrees of financial need and to respond to social needs other than housing. These might include day care costs, payment for partially subsidized counselling and medical or other expenses. I say, without any hesitation, I have very serious reservations about this proposal.

First of all, OHC would have to enter into the program responsibilities of other agencies and ministries who are more expert in dealing with these types of social needs. We would in fact be duplicating to a considerable extent the staff and the facilities already provided by other ministries and agencies in this government.

Furthermore, it would be extremely difficult for OHC to adjust its rent calculations to take into account the almost endless variations in the social and financial circumstances of its tenants and, at the same time, ensure that all were being treated equally.

I do recognize, however, that OHC tenants should have access to the complete range of social benefits available to all citizens in our province, and in this regard the corporation is making a conscientious effort to assist its tenants in obtaining other forms of social and financial assistance through advice from our community relations workers. In my view it makes far better sense to leave the provision of social service to those who are now responsible, and to let OHC concentrate on its primary responsible role of providing accommodation.

Let me now move on to the subject of the relationship between the Ontario Housing Corporation and its local housing authorities, an area where mixed opinions prevail. Some peo-

ple argue that the housing authorities do not have enough autonomy, while others complain that they have too much.

To some extent OHC and the housing authorities are feeling their way. At the same time, I feel confident the system is working well towards its objective of making the management of OHC's housing portfolio more responsive to the local needs.

Another issue which has arisen in this area is the tenant appointments to housing authorities. I emphasize that there is no policy which prevents tenants from being appointed to housing authorities. In fact tenants now are serving on a number of housing authorities across the province, including our largest ones, the Metro Toronto Housing Authority and the Ottawa-Carleton Housing Authority.

In my view tenants should not be appointed as representatives of certain groups—of senior citizens or handicapped persons, for example—because this would provide an opportunity for that particular group to advance its interests, perhaps at the expense of other tenants. It is my policy to appoint persons who have the skills and the experience necessary to contribute to the management of assisted rental housing in an impartial and efficient manner.

I believe that the interests of the public housing tenants can best be advanced through local tenant association meetings with the local housing authority and its staff and members on a regular basis. This has been found to serve both tenants and management effectively and efficiently, especially in areas with large public housing portfolios. OHC encourages this kind of liaison by funding tenant associations.

I stress that a tenant has ample opportunity to seek nomination to a housing authority through one of the three levels of government. I welcome this as long as the tenant seeks to serve as an individual and in the common interest of all tenants, rather than trying to advance the interests of a particular group.

Before leaving the subject of housing authorities, let me emphasize that the system is not cast in stone. With proper co-operation, changes can be worked out at the local level to ensure that local interests are, indeed, well served.

Another area that is often questioned is the procedure for income verification which is used by OHC to set rents for tenants, based on their incomes.

To my mind, the procedure is necessary for a number of reasons. First, income verification—essentially a means test—is, I feel, our best insurance that assisted housing is allocated to those who need it most. As well, the procedure ensures that taxpayers' dollars are spent wisely and are adequately accounted for.

Finally, I do feel that the applicant for assisted housing is under some obligation to his fellow applicants, to OHC and to the taxpayer, to provide the information required to determine the need of one applicant in relationship to another.

These are but some of the highlights relating to the Ontario Housing Corporation. I have no doubt others will be raised during our discussions here, but I would remind the honourable members that where major policy changes are required—and I wish to emphasize this again, Mr. Chairman—we are obliged to consult with our federal partner, Canada Mortgage and Housing Corporation, which shares the operating deficit with us on a 50-50 basis.

This past summer, the public accounts committee examined our provincial land holdings and I believe it was worth while. At the same time, to spend a little time here on this activity I think will indeed be rewarding.

The province has become involved in land for a number of reasons: (a) To assist municipalities to implement housing policies and programs by bringing land on to the market; (b) to provide lots at the lower end of market value throughout the province, but particularly in those areas where the development industry was at a very low level; and (c) to provide relief, where possible, from the problems of urban sprawl and its costly spinoffs, in both the areas of hard and soft services.

The objective of this ministry and of the Ontario Land Corporation is to plan, develop, manage, finance and market provincially-owned lands in a reasonable, business-like manner. This was the purpose in transferring OLC from the former Ministry of Treasury, Economics and Intergovernmental Affairs in the early part of 1978. Shortly thereafter, the activities of the North Pickering project were integrated into the corporation, as were the activities of the Townsend group planning the new community at Lake Erie.

In the spring of 1979, all lands owned by OHC which were purchased for residential, commercial, industrial and related uses were merged into OLC, along with the associated assets and liabilities of those lands.

The corporation is moving forward effectively and on a consistent, long-range commercial program. OLC is charged with the management of some 70,000 acres of land held under provincial ownership. The management of these lands can be divided into six major categories: New communities; communities-within-communities; major development projects; minor development projects; farm leasing and finally land banking.

Firstly, the new communities: There are two,

each developed for different reasons. In the case of the Townsend project, the first 22 model homes have been completed and an intensive sales campaign has started. Mr. Chairman, I am sure this committee will be pleased to know the first Townsend family moved into their home on Monday of this current week.

Some \$2 billion in industrial activity has been generated in that area, and in order to channel the growth properly and thereby protect the character of the region and its communities, the province launched the Townsend project.

The other new community is Seaton, where we have amalgamated the two proposed population centres of Brock and Cedarwood conceived under the Toronto-centred region planning concept. This was done to support the economic activity east of Metropolitan Toronto, as well as to contain any of the negative aspects of urban sprawl that would have been generated by the proposed federal airport. As members of this committee are aware, I have delayed Seaton until economic conditions improve.

2:30 p.m.

On another level, there are what we refer to as communities-within-communities: The projects of Malvern and Saltfleet. The former, located in northeastern Scarborough, has been an extraordinary success. Some 23,000 persons live in Malvern, many, perhaps all, able to afford a home only because of this government's activities.

The commercial and cultural core of Malvern is now under way with commitments from both senior levels of government to provide a complete community recreation centre. A major shopping complex is being developed on lands that have been sold by the Ontario Land Corporation at a profit.

Due particularly to the demographic problems which have been developing in the Hamilton area for some time, we have redirected our approach in Saltfleet, no longer planning a simple bedroom community as was proposed in the 1969-71 period. Instead, we are changing direction to create a fully-integrated community containing residential, commercial and industrial facilities.

We are now in the process of developing an application for an official plan amendment which should be finalized by the spring of 1981. I hasten to add that the staff of OLC have already met with local elected and appointed officials and more meetings are planned prior to the official submissions.

With regard to lands classified as major and minor development projects, we intend to proceed as market conditions warrant. Like any other

developer, we are required to go through the complete municipal planning process, which includes detailed discussions with local municipal officials.

We have major activities in communities ranging from places like Ottawa to Windsor, and including Kitchener-Waterloo, London, Guelph, Hamilton, the Niagara Peninsula and northern Ontario.

As part of a continuing process, we are monitoring our land holdings on a regular basis to determine which can be developed or sold, and which should be held for a long term, that is, to the year of 2005 and beyond. To that end, we have undertaken a number of sales.

In Windsor, for example, we sold the riverside property to local businessmen for \$5.4 million because OLC still owns and is developing the Hall farm lands in that community. In Thunder Bay, we sold a 158-acre parcel to the city for about \$1.4 million.

On the other hand, strategic land parcels will remain in our land banks over the long term. Ontario Land Corporation's raw land banks have a value of about \$400 million. Lands being developed and/or serviced are valued at about \$100 million.

OLC has also revenue-producing mortgages and leases of approximately \$250 million, part of which is in partnership with Canada Mortgage and Housing Corporation. This revenue-producing asset also contains deferred profits of \$45 million which will accrue to OLC in the future.

OLC's land holdings also play an important role in farm communities with 53,000 acres of our land in agricultural production. Under the farm lease program, the land is leased for five-year periods and has proven of substantial interest to young farmers, just starting out on their own, and, indeed, established farmers alike have taken advantage of it.

As in the case of the private sector, we have had both winners and losers. Overall, however, our record has been a positive one, starting back with OHC's HOME plan which, together with a variety of other programs, developed and marketed more than 25,000 lots in 70 communities throughout Ontario. The most important aspect of these programs is the fact that we have helped thousands upon thousands of families achieve home ownership by giving them a solid leg up on the economic ladder.

Our land programs are an activity of which this government can justifiably be proud.

I would like to turn to a matter of grave concern to municipalities across Ontario, indeed across Canada, and that was the recent unilateral decision of the federal government to terminate

the community services contribution program at the end of this current month. Although some concerns have been expressed about the program's demise, I really do not believe that the full impact or understanding has yet been able to be taken in by the municipalities, and indeed by those closely associated with it.

In 1979, the first year of the agreement, the federal community services contribution program funds allocated to this province amounted to \$51.6 million. In the current year, the allocation was nearly \$86 million. The corresponding contributions by the province were, for 1979, \$90 million, and in the current year, \$153 million. The municipalities involved in these projects also contributed a portion of the funding.

The bulk of the CSCP allocation in Ontario is utilized by the Ministry of the Environment for municipal infrastructure projects so I will not dwell on this in any great detail, other than to note that more than 300 projects, worth about \$375 million, are directly assisted by CSCP grants.

Termination of the program will affect some 95 water and sewerage projects in about 50 municipalities with a direct onsite construction employment loss approaching 3,000 man-years annually.

In my own ministry's areas of responsibility, the loss of the CSCP funds will have far-reaching effects on municipal plans for neighbourhood improvements and the development of municipal nonprofit housing projects.

In all, 44 municipalities are improving the quality of life for their residents through the neighbourhood improvement component of the program and the demand stretches far into the future.

This year, for example, 48 municipalities requested approximately \$46 million. Just under half this amount in federal funds was available for neighbourhood improvement projects. We were able to accommodate just 30 municipalities who, together with the province, matched the federal contribution for a total of more than \$45 million in neighbourhood improvements which, I think you will agree, is rather a significant sum.

Unfortunately, 18 municipalities with a definite need for financial assistance received none, but they expected their needs would be met in subsequent years of the program.

In addition to those 18, another 41 municipalities indicated a significant interest in the continuation of the CSCP funding. Indeed, of these 59 municipalities, two thirds have populations of less than 20,000. Clearly, it is these smaller municipalities that will be hardest hit by the cutting off of this program.

Once again, the loss of potential employment is significant. We estimate that about 3,000 man-years of employment in hard services were generated directly and indirectly by expenditures in this area of the program. In addition, our neighbourhood improvement program encouraged private sector activity, producing additional employment, increasing property values, and ultimately increasing municipal revenues.

The third component of the program was the federal 10 per cent capital writedown for municipal nonprofit housing projects.

In the first year, that being 1979, \$6.6 million in federal funds assisted in the provision of 1,200 units and helped to generate 4,200 man-years of employment. It is anticipated that grants of about \$12 million in program year two will assist another 2,100 units and help to stimulate about 7,300 man-years of employment.

My cabinet colleagues and, indeed, I think most people in the world of politics, are deeply concerned about the impact the withdrawal of these federal funds will have on the provincial and municipal governments. I emphasize it would be unrealistic of me to suggest we can step in and replace this loss with provincial funds. The federal minister responsible has indicated a desire to meet with the provinces early in 1981 and I can assure the honourable members that we will press this minister for reinstatement of federal funding in these traditional support areas.

2:40 p.m.

Before closing in this area I would like to comment on current and future housing activities in our province. Clearly, 1980 has been a rough year for the industry, but I think we can look forward to improvements in the coming year of 1981.

Energy costs and other economic factors with an impact on the housing field have perhaps forced us to squeeze more out of both private and public investments. Our policies are changing direction to make the Ministry of Housing an increasingly important focal point for housing rehabilitation and energy conservation. Gathering talented people from within the ministry, we have formed a new unit which will assist in developing policies and programs, as well as modifying existing programs, to achieve these important goals.

The new unit is establishing close liaison between the ministry and public and private organizations involved in the field of rehabilitation and energy conservation. It is also encouraging the rehabilitation industry through education and demonstration projects, and it is assembling

and providing up-to-date information on trends and activities within the entire rehabilitation field in our province.

In November of 1981 we will be holding an international symposium on housing rehabilitation and energy conservation in the city of Toronto, as a forum for planners, architects, municipal officials, industry, business, lenders, in fact everyone involved in what we consider to be one of the most important fields of our time.

Of course, we are not newcomers to the rehabilitation field. Over the years my ministry has been involved in a broad range of renewal programs, including downtown and mainstreet revitalization, community and neighbourhood improvement and property maintenance. Since its inception in 1974, for example, the Ontario home renewal program has distributed \$125 million among municipalities to assist in making repairs to some 28,000 homes.

The federal government has announced that effective July 1, 1981, it intends to impose new, higher insulation standards for all housing financed or insured by CMHC, and I commend them for that positive move. But we are not waiting until July 1. We are imposing these higher standards for assisted housing as of January 1, 1981, so that the hundreds of units we expect to see developed in that six-month interval will have the benefits of the higher insulation values.

As many of you know, OHC for years has been involved in energy-conserving demonstration projects. We are considering others that incorporate even higher energy-saving standards and we will share the results of the studies with the public at large. We are also having discussions with CMHC on ways and means of improving the energy efficiency of units built under the rural and native housing ownership program in northern Ontario, an area where increasing energy costs have a tremendous impact upon each individual.

I believe my ministry's actions clearly demonstrate our support of Ontario's commitments to conserve energy and especially reduce the demand for oil. We are taking an active role in Energy Ontario by promoting energy conservation in the housing field. To this end, we are working closely with the Ministry of Energy towards achieving the government's energy objectives in the residential sector. In co-operation with that ministry, we have set up the housing energy management program to co-ordinate our efforts in this important area.

Among the projects we are undertaking is an evaluation of the feasibility of installing solar heating systems to supply domestic hot water in various types of apartment buildings. Another, in conjunction with the private sector, began

this fall with owners and managers of 20 high-rise condominium and rental buildings. The intent of the project is to help them reduce energy consumption during this coming winter by advising them on relatively inexpensive ways they can improve the energy performance of their particular properties.

There is a temptation to try to cover more of the areas in which the Ministry of Housing reports, but I trust we will have an opportunity, as we proceed through the next five hours, of reviewing them in more detail.

Mr. Chairman: Thank you very much, Mr. Minister. As always, you bring forward an enlightening synopsis of the program of the Ministry of Housing which I know all members appreciate very much.

I might add—I forgot to mention it at the opening at two o'clock—we had anticipated going to five o'clock this evening so that next week we could finish the Ministry of Housing estimates in the morning and start those of Management Board of Cabinet, if that is agreeable to committee members.

I am at the whim of the committee. Traditionally we ask for a statement by the Liberal and the NDP critics, although there might be a couple of questions just on the opening statement. If anyone has any questions I would think they would be appropriate at this time.

Mr. Hennessy: Mr. Minister, I imagine you read it out, but I did not have a chance to catch it all. That is, in relation to Honourable Paul Cosgrove's statement about the funding for municipalities of low-rental housing and things like that, you mentioned that the federal government is not going to participate with our government in joint funding.

Have they said that they are going to do it themselves or are they holding it on the back burner until the constitutional issue is decided? You mentioned something about it.

There is something in Thunder Bay going on, but there seems to be a problem of where they are going to get the funding, whether from the federal or the provincial government. It all depends on to which side you listen as to who is refusing. I would just like to have that clarified. Has the federal government put a stop on funding?

Hon. Mr. Bennett: We would have to go back to February 1978 to a meeting that the provincial ministers reporting for housing had with the then federal minister, Mr. Ouellet. We were brought together to discuss the possibilities of what we called—and it became a catchword—disentanglement, and that in the course of

disentanglement all housing responsibilities were to be put back with the provincial government, regardless of which province we happened to be talking about.

We started with the public nonprofits coming to the provinces for their administration or control or overview. It was our understanding at the time that, in due course, we were going to take over the private nonprofits, which would be like service clubs or churches, and also the co-ops, for direct responsibility.

Over the course of two years that argument went on and on and we were led to believe on a continuing basis that it would eventually be turned over to us but, for one reason or another, it was never the right time to do it during that two-year period.

On Monday of this week Mr. Cosgrove advised me that the responsibility for that particular area, the providing of housing in any provincial jurisdiction, will not be turned over by the federal government to the provinces. That government is going to be the agency responsible for approving plans and deciding whether the units are or are not required within any given community.

The disentanglement starts to fall apart, as you can see, because we could very well wind up with the federal government approving a nonprofit project in a given community which will look for rent subsidy units from the province, and it could very well be a community where units are not really required under a rent subsidy program and the project likely will not fly unless there is some participation in rent subsidies.

I can only say that we will continue, and I think each province will continue, to press Mr. Cosgrove to realize that it really does not make much sense to have a federal government doing part of the housing program and the provincial government doing part of the housing program. If you are going to get down to an efficient and effective way of spending the taxpayers' money wisely, regardless of whether it happens to be federal or provincial, in order to meet the needs of any given community it should be administered, or at least directed, by one body of government. Since we now have the right to direct most of the program it would seem logical that this one should flow to the provinces.

I can only add I will never understand why, at the time we were discussing this with Mr. Ouellet two years ago, he did not turn it over to us. He did not give us an explanation at the time, other than it had—I am sure members will appreciate this—some visibility factor that the federal government wanted to retain. That would still appear to be the reason. If I understand

Mr. Cosgrove's telegram to us on Monday of this week, it still has something to do with visibility.

Mr. Hennessy: Can I have a copy of that telegram?

Hon. Mr. Bennett: Certainly, we can get you copies of it. I will give them to the chairman as other members might like them as well.

Mr. Samis: May I ask a question? Are you and Frank Miller meeting with Mr. MacEachen this month?

Hon. Mr. Bennett: Mr. Miller is, I am not.

Mr. Samis: You are not part of it.

Hon. Mr. Bennett: I am meeting next month, I understand, with Mr. Cosgrove and some of his people.

Mr. Samis: I thought you were going with him, I am sorry.

Hon. Mr. Bennett: I would hope Mr. Miller's meeting with Mr. MacEachen would deal with a much broader aspect.

2:50 p.m.

Mr. Samis: He was in here for estimates this morning and mentioned he would be bringing that point up in the meeting.

Hon. Mr. Bennett: It is one that I have heard from Mr. Miller on, because, obviously, this year the community services contribution funding in Ontario would have been roughly in the \$100 million range.

We can give you a list of the communities that have already made application—

Mr. Samis: I already have one.

Hon. Mr. Bennett: —and it is rather startling.

Mr. Hennessy: Mr. Chairman, I just wanted to throw a supplementary in and then I will be finished. As you are aware, Mr. Minister, the city of Thunder Bay is looking at the possibility of constructing on the corner of May Street a building which the municipality would run. Does that now mean that they are stymied until the facts are ironed out, to some extent? I know they have approached you and have approached the federal government. I understand that you were in favour, but the federal government was not in favour of it. Where does it lie now?

Hon. Mr. Bennett: Mr. Chairman, Mr. Samis's question and Mr. Hennessy's are in two different areas completely.

First, to answer Mr. Hennessy's question: If a nonprofit housing project comes forward from the municipality, obviously it will come to the Ministry of Housing. However, if the Kiwanis Club of Thunder Bay, for example, was going to build a nonprofit housing project, that would have to get the concurrence of Mr. Cosgrove at the federal level.

That is the difference between the private and the public nonprofit. We will be involved deeply with the public nonprofit; Mr. Cosgrove will deal with the private nonprofit or co-ops.

If any of the municipalities in your constituency or any other constituencies in this province are looking forward to money under the community services contribution program—which was the neighbourhood improvement, sewer and water treatment program, redevelopment and so on—that funding is gone. And if they are on stream or if they had applied last year to be put on for 1981, there is no money. So those projects, as far as we know at this point in our history, will not go any further. I would only emphasize, Mr. Chairman, that includes the fact that municipalities will not receive any write-down money or front-end money for municipal nonprofit housing projects either.

Mr. Hennessy: From the federal government?

Hon. Mr. Bennett: It is all through the CSCP; that is where it came from.

Mr. Isaacs: A supplementary on that, if I might, Mr. Minister, you have said that projects on your list that depend on CSCP funding will not go; and the Minister of the Environment (Mr. Parrott), of course, has a similar list. Can I take it, though, that you and the Minister of the Environment will be reviewing your priorities across the board and that you may transfer funds from some other projects that were not to be funded by CSCP, but will scrap or slow down those others projects in order to transfer funds to higher priority projects that are on the CSCP list?

Hon. Mr. Bennett: That has to deal with the whole program of government funding, financing and priorities in any issue.

Mr. Isaacs: That's right.

Hon. Mr. Bennett: Those will be some of the discussions Mr. Parrott will have and that I will have with Mr. Miller, in trying to accommodate some of the things that cannot be entertained in their entirety.

Mr. Isaacs: What I am getting at is that municipalities that are not on the CSCP list but have municipal projects that require provincial funding, may also be affected by the cancellation of the CSCP program. Is that right?

Hon. Mr. Bennett: If what you are really saying is that some projects which would normally be financed might now get bumped because we will take money for a higher priority municipality—

Mr. Isaacs: That's right.

Hon. Mr. Bennett: That is always a possibility, sure. I am not saying it is, but the possibility is there.

Mr. Hennessy: On the same topic, where would that leave the city of Thunder Bay or do you have any idea?

Hon. Mr. Bennett: You are asking specifics which I am not prepared to answer at this moment. Obviously, all the funding that will be allocated for neighbourhood improvement projects, if there is to be any, has not been looked into—

Mr. Hennessy: If you had to speak to the people I have to, you had better ask the questions.

Hon. Mr. Bennett: You have a new mayor up there; Walter will understand.

Mr. Hennessy: The mayor does not vote for me.

Mr. Epp: On a point of order: I was just wondering whether it might be appropriate to listen to the other two statements because I understand they are quite lengthy. I think it would be doing a disservice to either one of the gentlemen if they could only present half of their statement today and the other half next week. So I wondered whether we could proceed with those and then have questions.

Mr. Chairman: We are going to be proceeding now with the critics' statements.

Mr. McEwen: It is very interesting to hear the minister's statement but, at the same time, I think we must discontinue attempting to place the blame from one to the other. There are some responsibilities that are really the province's.

When the Ministry of Housing was created, the Premier (Mr. Davis) stressed "the high priority which the government has placed on the need for a comprehensive new approach to housing." The need for intelligent leadership in the area of housing is as critical as it has ever been, but what has happened to this "high priority"?

Since 1973 we have seen consistent failure in housing policy development. First, the government decided to piggyback its housing programs on to whatever federal programs happened to come along. Federal plans have come and gone in their turn and we have been left with almost nothing. Then the government opted for disentanglement from federal programs so it could better respond to Ontario's needs. We may be disentangled, but the government is still without a housing policy and is still unable to come to grips with the changing housing needs of Ontarians.

I propose to review the government's housing record, the state of the housing industry, housing cost trends and emerging housing needs in Ontario. What becomes perfectly clear from

this review is the failure of this government to analyse or plan for change in the face of serious economic pressures and shifting demographic patterns.

Housing, of course, is more than just shelter. In economic terms, thousands of Ontario workers rely upon the housing industry and building trades for employment. The production of new housing brings realty and other taxes to governments, and influences the manner in which our cities, towns and neighbourhoods develop.

For individuals and families, shortages of housing can lead to increases in the cost of housing, to substandard living conditions for those who are unable to afford good housing and to reduced expectations of ownership and the security of long-term benefits it can offer.

Housing costs directly influence the amount of personal disposable income for most families, as housing costs are often their largest monthly expenditure. Since housing costs also limit choices as to where people can afford to live, they thereby affect the makeup of our cities. Finally, the quality of our housing stock directly affects the health and wellbeing of all of us, and particularly of our elderly and handicapped citizens.

The record of the Conservative government in the housing field has been unsatisfactory, even in terms of the goals it set for itself.

In 1975, the government included in its budget a target of 90,000 new housing units to be started in that year. That target fell short by 10,032 units.

In May 1977 Premier Davis released A Charter for Ontario, committing his government to the production of 900,000 new housing units over a 10-year period, or 90,000 new units per year until 1987. This target has not been met. In 1978, the government fell short of its target by 18,290 units. In 1979, it fell short again by 33,113 units. The Conservative government fell behind in its own 1977 target by almost 37 per cent in only two years.

Although the Minister of Housing recently revised this target downwards from 90,000 units to 78,000 units, and then to 65,000 units by 1981, even this is not being met. In November 1980 the minister indicated that only 43,500 new units would be built in 1980. The Ontario section of the Housing and Urban Development Association of Canada has predicted only half of the 90,000 target will be met in 1981.

In 1978, the Ministry of Housing predicted a need for 154,000 units during 1980 and 1981 in order to keep the supply of and the demand for housing in relative equilibrium. Using the minister's own projections, we will fall short of that position by 56,500 units.

Overall, new housing production in Ontario now stands at its lowest level since 1966. It was only seven years ago—in 1973—that we produced nearly double the units we produced last year in 1979.

The record for new housing units actually under construction on a yearly basis shows the same pattern. Actual residential construction is at a lower level now than it was in the entire decade of the 1970s, having declined by 33 per cent over that period.

3 p.m.

Within the overall picture of decline, the largest slowdown in starts in terms of unit type has occurred in row housing and apartment construction, which showed declines of 29 per cent and 65 per cent respectively over the period 1970 to 1979; 14,982 apartment units were started in 1979, 25,000 fewer than the 40,047 units started in 1970.

Since to a large extent it is moderate and low income earners who depend on rental apartments for shelter, the greatest decline in new housing in Ontario will primarily affect those who can afford it the least. Rental accommodation continues to be in short supply today in Ontario cities such as Hamilton, and especially in Metropolitan Toronto where new starts for rental housing decreased by 58 per cent between 1973 and 1977, from 44,100 to 18,500.

In November 1980, speaking to a building trades association, the minister admitted: "Certainly, this year"—1980—"represents a real bottom for the industry. Frankly, at this point, we must admit that housing starts this year will not even be up to the moderate expectations we had earlier this year. I believe we have bottomed out in the housing area."

One way the Conservative government has tried to influence housing production costs is by assembling or banking land. The Ontario Land Corporation, formed in 1975, was given land assets accumulated since 1970 at a cost of \$240 million, plus additional money to assemble land for new town sites and industrial parks.

In four major land assemblies in the mid-1970s, South Cayuga, Townsend, Edwardsburgh and Pickering—Seaton—the government spent another \$372 million by December 31, 1979, for over 50,000 acres. The dream was to create new residential communities where none existed and to develop new industrial parks. The dream has never materialized. In fact, a great deal of agricultural land has either been taken out of active production or is being looked after by others as tenants of the new government landlord. A mere handful of new housing units has been built, as mentioned today. There is no

industrial park at Edwardsburgh as was planned when that land was purchased. The government has tried to sell some of these lands, but prices have escalated to such a degree that buyers cannot be found.

These Conservative government decisions on land banking were made in the face of contrary advice from the government's own advisers and others. For example, the Ontario Advisory Task Force on Housing Policy advised in 1973: "As a general rule, there is no need for complete public ownership of lands involved in new communities, which should be treated as joint public-private ventures."

The 1978 Greenspan report to the Ontario Minister of Housing and others found that land assemblies, including those in Ontario: "... had no moderating effect on house prices. A major purpose of these assemblies, reduction in overall price levels during the boom, has not been achieved." Said the Toronto Real Estate Board in 1979: "There is serious doubt there is an adequate demand for lots and building sites in areas where the Ontario government is currently active in land banking. Just as Ontario Hydro overestimated future energy demands in the province, so also has the Ministry of Housing miscalculated."

What have we received for the almost \$400 million we have invested in these four projects? South Cayuga, an assembly of 12,689 acres in the traditional southwestern Ontario tobacco belt, has cost more than twice its appraised value and is being leased to farmers, who used to own their lands, at rents which do not cover interest charges.

Now the government has selected a parcel of prime agricultural land in South Cayuga as the site for disposal of hazardous liquid wastes, a nightmarish end to John White's dream. The Townsend site of 13,400 acres nearby in Nanticoke has now cost approximately three times its appraised value. No new town has yet been built. The Edwardsburgh industrial site of 10,425 acres has poplar tree stands and unstable soil conditions, but no new industry.

And I might say that the minister was not in favour of that purchase at the time. I remember his saying at a meeting I attended, "You have to be nuts to buy a property such as that."

The Pickering—Seaton—town site near the former Pickering airport site should have been shelved along with the airport in 1975. However, government plans now call for 6,800 acres of the 25,000 acres of farm land to be used to house up to 90,000 people, while the remainder of the site will be maintained for long-term agricultural use as it was before the government takeover.

The first houses in Seaton were to be built in

1977. Construction was delayed first until 1982 and then to 1989. Now the minister says development will proceed when the direction of the economy is clear. And that may be never. The Minister of Housing finally announced in November 1979 that there would be no further major assembly of lands of this order. However, these holdings not only represent an enormous waste of \$372 million and a poor public investment, they have not been used in any way to revive Ontario's sluggish housing industry or satisfy urban housing needs.

The housing industry in Ontario is in decline. Production of new housing starts in Ontario fell by almost 30 per cent during the period of 1975 to 1979 and is at its lowest level in 14 years. Estimates for 1980 point to an even further decline from the 1979 level. As well, its position in the national home building industry is declining. Ontario's share of new housing starts in Canada has declined by almost one third during the 1970s, from 40 per cent of Canadian starts in 1970 to 28 per cent in 1980.

Ontario is falling steadily behind the rest of the country in terms of its share of new housing starts. In fact, some major Ontario-based development companies such as Cadillac Fairview now have more housing starts planned in the United States than in Ontario.

In part, the decline can be attributed to the wider economic climate which has seriously affected housing production. The housing business is also a cyclical one, experiencing ups and downs. As an industry with a fairly quick startup that is able to employ a variety of sub trades, it is often used by the government to help stimulate the economy.

In Ontario, inflation has increased the cost of land, labour, materials and money for builders. High interest rates have discouraged first-time home buyers and reduced the potential demand for housing. Fluctuations in interest rates have increased market uncertainty, discouraged speculative development and reduced buyer confidence.

Although rent review legislation is an important protection for renters, the difference between economic rent and market rent has made renting economically attractive, particularly to those who now rent, thus further reducing potential buyer demand, and discouraging new rental development. Increasing costs for home heating fuels has further dampened the housing market. Ontario's housing industry today is characterized by tight markets, unemployment, and failing firms.

The effect of the overall decline in Ontario housing starts in 1975 to 1979 varies city by city. The decreases over this period are by as much as 72 per cent in Hamilton; 69 per cent in St.

Catharines; 37 per cent in Kitchener; 30 per cent in London; 26 per cent in Thunder Bay; 12 per cent in Toronto and six per cent in Kingston.

HUDAC Ontario reports that average profit margins in the Ontario housing industry declined from 9.5 per cent in 1975 to 5.1 per cent in 1978 and it predicts a profit margin of less than three per cent in 1980.

3:10 p.m.

The number of persons in Ontario whose occupation involves construction declined by six per cent, from 231,000 in 1975 to 218,000 in 1979. While HUDAC estimates a 1980 unemployment rate of 15 per cent for residential construction in Canada, the Ontario unemployment problem is worse.

By December of 1979, 28 per cent of the members of the Toronto Building Trades Council—approximately 9,000 workers—were unemployed. Building trade employment now stands at 25 per cent in Ottawa, 35 per cent in Sarnia, 15 per cent in London, and 65 per cent in the Kingston-Bellefonte-Brockville area. For plumbers in Hamilton and Brantford, the unemployment rate is 50 per cent; for electricians, the rate is 40 per cent. In Sarnia the rate for labourers is 25 per cent. In Thunder Bay the rate for bricklayers is 70 per cent. The Ottawa-Hull Building Trades Council reports that in 1980, over 100 sheet metal and roofing workers left Ontario to find work elsewhere.

Data from the federal Department of Consumer and Corporate Affairs, July 1980, indicates that construction industry bankruptcies in Ontario have increased by 47 per cent from 1978 to 1980. HUDAC estimates that over 1,000 builders have gone out of business in Ontario during the year ending October 1980.

While a number of external factors help to explain the downturn in housing—the rising cost of money, land, labour and materials and the disincentive resulting from rent review legislation—the government's approach has been to simply hold up a mirror to an ailing housing industry, to repeatedly revise its predictions downwards as fewer starts take place.

The government has failed to stem the tide of red tape in the approval process, which adds extra consumer costs to developments that take place and discourages others from taking place. Small developers are particularly affected. Since the government published Subject to Approval in the early 1970s, only tinkering with the Planning Act has taken place, and confusion and delays in approvals are still the norm.

I would remind members that a resolution made by our municipal affairs critic, Mr. Epp, was unanimously adopted by this House in 1980. The resolution called for time limits to be put on

Ontario municipal board hearings and decision dates. Frivolous hearings and delays in getting hearing dates still impede the process unnecessarily.

Now, new pressures are facing the industry, notably changes in the cost and supply of energy and changes in our population. How are the housing producers, and particularly small developers who constitute a majority in the development business, coping?

It is astonishing that the Housing minister does not have a research group which publishes public information on housing markets, supply, and demand data by region, cost estimates, and government policy and assistance programs to assist builders to respond intelligently to changing markets in pursuit of provincial housing goals. For its part, the industry itself will have to respond to other pressures, with buildings which are more energy efficient in design and use of materials, and development at densities which do not permit wasteful use of urban lands.

It is interesting to note that the average persons-per-acre count in the developed areas of Metropolitan Toronto has remained virtually unchanged since 1963. The industry will have to provide housing suitable for single people in view of declining family sizes, our ageing population, and a higher incidence of marital breakdown. We must continue to renew our existing housing stock which can account for up to 25 per cent of construction activity. Given the general ageing of Ontario's construction workers, the strengthening of educational and apprenticeship programs for the construction trades will be of critical importance.

The average cost of a house in Ontario's urban areas, according to Multiple Listing Service data, rose by 30.8 per cent during the period of 1966 to 1969. From 1969 to 1972 the average cost increased by 20.9 per cent. However, during the period 1972 to 1975, average house prices rose by 58.3 per cent. From 1975 until June of 1980 Ontario prices rose by 24 per cent.

Some price increases over this latter period for selected Ontario cities are as follows: Kitchener-Waterloo, 28 per cent; London, 36 per cent; St. Catharines, 40 per cent; Toronto, 32 per cent; Hamilton, 23 per cent; and Kingston, 23 per cent.

The cost of a fully serviced lot in Ontario for new residential units financed under the National Housing Act, on a cost per foot basis, increased by 95.2 per cent—almost doubled—over the period of 1972-75. This is the largest single factor in the cost of new housing in Ontario over this period.

The important yardstick for measuring cost is affordability. Who can afford housing? While

over half of Ontario's households now own rather than rent their homes, the number of families who can afford to buy a house today is declining. In Metropolitan Toronto, for example, almost as many families and individuals rent as own their homes.

Young families and those now renting who wish to buy are faced with high interest rates that are predicted to be with us for some time, less choice in housing because of decreasing supply, and the highest housing prices in Ontario's history. Even some people who now own their homes and have built up some equity in them may not have sufficient income to meet current costs. Their options are also limited. In 1977 the Canadian Council on Social Development estimated that approximately one third of all Canadian households could not adequately meet their housing needs by assigning less than 25 per cent of their gross income to housing.

In terms of house purchases in Ontario, the Ontario Economic Council estimated that the number of Ontario families able to purchase the average resale house while spending less than 25 per cent of their gross monthly income on principal and interest charges, dropped sharply from 69 per cent in 1961 to 39 per cent in 1975. CMHC now estimates that at mortgage interest rates of 15 per cent, only 21 per cent of renters in Windsor can afford to purchase an average house in Windsor. The percentage of potential first-time buyers is even less in Kitchener, at 16.5 per cent; in Hamilton, it is 15 per cent, and in Toronto, 10.4 per cent.

While average house prices have increased at a rate less than the rate of inflation in Ontario as a whole, in certain areas prices have exceeded the rate of inflation and have reached very high levels in certain parts of the province. In November of 1980 the average house price in Metropolitan Toronto reached \$76,000. Assuming a five per cent down payment, a 14 per cent mortgage interest rate, an amortization period of 25 years, and no more than a third of the gross income spent on housing, a family income of approximately \$37,000 is needed to purchase the average house. That income is one-third higher than the average provincial family income of \$26,400.

A. E. LePage and HUDAC now predict that because of the slowdown in the supply of new housing, average Ontario house prices will rise faster than the rate of inflation in 1981. This means that even fewer people will be able to buy a house than is now the case.

The most important measure of the state of Ontario's housing affairs is the extent to which the supply, quality and affordability of accommodation are meeting the needs of the province's

people. We know that the government has not met its own housing targets. We know that the housing industry is in a serious slump which has resulted in the loss of productivity and jobs in the construction industry and other trades. What is the social fallout of this state of affairs?

While Canadians are well housed and have a high quality of housing relative to other nations, the current Ontario housing picture is not one we can be proud of. In November of 1980 the Ontario Minister of Housing said, "By the end of 1985 we could have a shortfall of 100,000 rental units in this province." That represents a housing shortage for over a quarter of a million Ontario people that the minister is predicting.

3:20 p.m.

A Metropolitan Toronto study in September of 1980, which used a complex formula matching incomes against market rents, estimated that 90,000 Metro senior citizens, individuals and families who do not now receive government assistance, cannot afford to house themselves adequately. A 1980 report of the city of Toronto concluded that moderately-priced housing was not being produced and the potential for any form of private rental construction was very poor.

That is obviously unacceptable. Unless we respond intelligently to economic and demographic pressures and changes that are now being felt, there could be severe housing problems ahead.

Rising inflation, energy costs and an increasing energy consciousness means that a higher value is being placed on relatively scarce and expensive resources. For example, people are renovating existing housing stock and revitalizing older neighbourhoods; many are choosing to live closer to their place of work to reduce transportation costs; there is a wide acceptance of the need to insulate homes; and there is a shift away from an insistence for single-family dwellings and an increasing acceptance of multiple-unit dwellings and smaller units.

The total Ontario population growth has been almost nil over the past few years, and it is unlikely that an increase in immigration will change this picture. We will probably see a net migration from Ontario to other provinces in the future, implying that our housing needs will be less than they have been during the 1960s and 1970s.

Ontario's households are getting smaller. The average family size has dropped from 3.7 persons in 1961 to 2.9 persons in 1980. Young people are leaving home earlier and senior citizens are living independently from their

families, increasing the number of smaller households. This suggests that three- and four-bedroom units are not the way of the future.

The number of people living alone is increasing. The divorce rate has jumped from 46 per 100,000 in 1951 to 262 per 100,000 in 1980. One-person households have increased from seven per cent of the population in 1951 to 17 per cent in 1976, and in Metropolitan Toronto one in five people now live alone. Both young and old continue to live independently of their families. Single people will need more housing to suit their needs.

Families are "undoubling." While 12 per cent of all families lived with another family in 1951, only four per cent of families do so now, indicating a preference for private rather than shared accommodation.

The population is ageing. Those aged 65 and over will make up 13.5 per cent of the population in 2001, compared to 8.9 per cent in 1976. Their needs will have to be taken care of.

The rate of family formations will drop off in the 1980s. Fewer family formations will result in a lower number of first-time home buyers.

These are indicators of new housing needs. Our success in the housing field will depend on how we satisfy them. Certain groups of people have typically had more difficulty than others in finding adequate and affordable housing. They, above all, will need the benefit of leadership in the housing field. Let us look at the four groups.

Physically handicapped people constitute approximately 10 per cent of Ontario's population; the disabled in wheelchairs make up approximately three per cent. This group is most often mishoused, finding and coping with housing not designed for them as best they can. Their needs relate to both income and design and availability of housing units.

Speaking of the disabled, I would like to cite the difficulty a constituent of mine, Dr. Dennis Seguin, has encountered in endeavouring to cut through the red tape and bureaucracy to buy a house for his disabled brother and his brother's wife, also disabled, Mr. and Mrs. Richard Seguin, of St. Catharines, Ontario.

Although primarily this is a matter concerning the housing of a disabled couple, correspondence has been directed to the Minister of Health (Mr. Timbrell), the Minister of Housing, the Minister of Community and Social Services (Mr. Norton), the Vocational Rehabilitation Services in St. Catharines, which, of course, falls under the jurisdiction of the latter ministry, and to the Provincial Secretary for Social Development (Mrs. Birch). To date, all that has happened is Dr. Seguin has been bounced from one ministry to another, without receiving a satisfactory solution to his problem.

Dr. Seguin and his mother are willing to make a down payment on a house or condominium for Richard and his wife. As Richard's rent subsidy would not be sufficient to cover the mortgage and other costs of such a dwelling, Dr. Seguin is also willing to make up any shortfall in the rental subsidy-mortgage payments.

However, a problem arises in that the dwelling will require renovations and appliances to allow Mr. and Mrs. Richard Seguin to live independently in the new home. As Richard will not personally own the building, this makes him ineligible for family benefits modifications.

St. Catharines Vocational Rehabilitation Services is holding Richard Seguin to ransom in that either he works for 30 cents per hour in a VRS workshop, or he will not receive home improvements designed to assist the disabled, which this branch of government can provide.

Dr. Seguin has raised a point which begs a sensible answer, and that is, "How many disabled persons are in the position to own their own homes" unless such persons were recently disabled and were lucky enough to be covered by accident insurance, in which case they might well receive a lump sum benefit that could give them the necessary down payment for a house?

In the International Year of Disabled Persons, here is one family trying to do their utmost to assist their brother and sister-in-law and all of their efforts are being blocked by the government of Ontario. They are willing to put up 75 per cent to 80 per cent of the financing for a home for Richard and his wife, only to be frustrated at every turn.

Dr. Seguin has just returned to Canada from abroad and started up a new practice in Northbrook, in the great riding of Frontenac-Addington. He has had to buy a home for himself and his family, and he is willing to put the down payment on a house for his brother and subsidize the mortgage payments. However, he cannot afford to also make the alterations and purchase the appliances required.

Richard Seguin has stated that he will work in a Vocational Rehabilitation Services workshop if he has to. However, he believes—and so do I—that he and the other disabled persons being forced into slave labour in such workshops are being robbed of their dignity. If a labourer is worthy of his hire, then surely no one should be forced to work for 30 cents an hour in the year 1980. Richard has said that he would rather be paid the minimum wage and have his earnings deducted from his disability allowance so that he may feel like a useful human being.

On November 4, 1980, in this House, the Provincial Secretary for Social Development gave a deplorable reply to a question raised by

Mr. McClellan on physically handicapped workers. She stated: "Many of the workshops that are available to people who are mentally retarded—grossly mentally retarded—provide an opportunity to learn, to develop, to grow. They are not provided for them as a means of earning a livelihood. Those people are looked after, but it gives them a place to go and to meet other people, a place to have an opportunity to have some socialization."

Is the honourable member not aware that many of those workshops do not have a cafeteria or lunchroom where the workers may eat their lunch; that there is often no cooling system to speak of, just two or three fans and a couple of windows which can be opened, during the hot summer? Is she also not aware that many of them have inadequate heating during the cold winter months? Finally, is she not aware that the disabled workers get very little opportunity to socialize because of the fact that they are pushed to work harder and faster for their 30 cents an hour?

Is it not within the realm of possibility that the Ministry of Housing, the Ministry of Community and Social Services and the Provincial Secretariat for Social Development should co-operate and combine their efforts towards making life easier for disabled persons, such as Mr. and Mrs. Richard Seguin, rather than, as appears to now be the case, going out of their way to make it as difficult as possible for them?

Would it not be in the best interests of the taxpayers of this province, and society as a whole, to encourage efforts such as those being displayed by Dr. Seguin and his mother to assist his brother, Richard, rather than discouraging them in their efforts to provide suitable accommodation for this disabled couple?

3:30 p.m.

In Ontario some 3,000 disabled tenants are housed by OHC. This amounts to 1.2 per cent of the total OHC population and is clearly far below the proportion of disabled people in Ontario as a whole. Only half of one per cent of all OHC units in the province have been altered for use by the disabled.

For those able to exercise personal choice in the marketplace, the government's chief role is to help furnish adequate income to provide that choice. For those in need of public housing assistance we can show leadership now in both the proper design of housing units for wheelchair and other needs, and in the immediate reservation of handicapped units in OHC and nonprofit developments in response to need.

For both groups, improvements in the design of housing units are necessary. The encouraging

trend here is the concept of universal design, whereby units are designed for either disabled or nondisabled people, thereby ensuring sufficient supply without attaching a high visibility to the identification of a so-called "disabled unit," and avoiding the problem of reuse of a vacant, specially designed disabled unit. Recent American experience indicates that universal design construction costs are not prohibitive, but amount to only \$136 per unit increase on a 1,500 square foot house.

Marriage breakdowns and a growth in the number of unwed mothers keeping their babies have resulted in a notable increase in the number of single parents. In 1976, one in four marriages ended in divorce, and the divorce rate has gone up 30 per cent since then. Ontario had over 200,000 lone-parent families in 1976. This group is in need of income support for child care, either by the mother on a full-time basis, or by day care service. In either situation, shelter costs are likely to be the major expenditure.

Approximately 60 per cent of OHC tenants and 65 per cent of applicants on OHC waiting lists are lone-parent families. In Metropolitan Toronto the figures are even higher. These families are almost exclusively mothered, and over two thirds receive family benefits or welfare.

Shelter is obviously a major problem for lone parents, and we should continue to make subsidized housing available to people whose income problems threaten the wellbeing of children. Given the number of lone parents, and their concentration in certain OHC developments, it is no longer acceptable to build housing without ensuring that social and family services are available to serve the needs of lone parents.

As noted, Ontario's population is rapidly ageing, and our senior citizen population is expected to double over the next few decades. The evidence is that Ontario's elderly are not improving their income status. In 1978, some 54 per cent of all people over 65 who lived alone, had incomes below the poverty line of \$5,000 a year.

The number of elderly as a percentage of low-income earners has grown since 1951, and this problem is both an urban and a rural one. Just over half of Ontario's senior citizens spend more than 50 per cent of their income on rent. Shelter allowances paid to seniors have lagged behind shelter costs by 50 per cent and more in recent years.

Senior citizen applications for subsidized housing has decreased in number recently. As of 1980, waiting lists in three of Ontario's largest cities, Toronto, Ottawa and Windsor, totalled

only 1,200. While it is possible that the decline in applications reflects applicant knowledge of the lack of production—"Why apply if there is nothing being built?"—it is more likely a sign of temporary satisfaction brought about by rent review legislation and controlled rent increases.

In Ontario there are approximately 800,000 elderly, those aged 60 and over, 92 per cent of whom live, independently, with families or friends. Of these approximately 65 per cent own their homes, and approximately 95 per cent of these are mortgage free. While three quarters of elderly home owners are men, most elderly renters are women. In terms of housing needs, these owners and renters have differing needs.

While owners may be asset rich, they may not have sufficient income to maintain the household. This is an income problem, rather than a housing problem, the solution for which should serve to maintain seniors in their homes until such time as they cannot manage. Income support can take the form of tax credit, as is currently the case; a property tax deferral, to be paid by a new owner upon transfer of the property; or an annuity plan, whereby a senior sells the home in return for an income and occupancy rights, for an agreed-upon time, from the purchaser.

Renters and lodgers, especially those with low incomes, are often in greatest need, and it is generally to this group that the supply of subsidized housing is most important. Lease security, access to services, maintenance and repair needs and the gap between even slowly rising rents and fixed incomes can create real uncertainty.

The Ontario government provides subsidized housing for eight per cent of all senior citizen households and lodgers in Ontario via OHC, rent supplement and nonprofit programs. If we define as our target group those seniors who are renters and lodgers receiving government income assistance, paying more than 25 per cent of their income on shelter and having incomes in the lowest income quintile—that is, up to about \$4,000—one finds that subsidized housing is provided for 39 per cent of this, the neediest group. This relatively low figure would be less if we were to include seniors who own houses, and seniors who have incomes above the lowest income bracket but are still poor.

The Ministry of Housing has estimated that an average of 17,600 more senior citizen units will be needed in each of the years 1980 and 1981 to meet increased senior citizen housing needs. Production of OHC rent supplement and nonprofit housing for seniors amounted to 2,905 units in 1979 and 4,525 units in 1980, thereby

maintaining current market penetration of our neediest, poorest, elderly people. The question is whether this is a satisfactory objective.

It will be critical to provide income support, particularly in the event of rent decontrol, and new housing for senior citizens over the next few decades. Income support should permit renters and owners to maintain their residences. Eligibility may include those paying a greater portion than, for example, 30 per cent of their incomes on shelter, up to a maximum annual income limit, as is the case in the SAFER program in British Columbia; that is, shelter aid for elderly renters. An alternative is the rent supplement scheme by which subsidies between actual rents and fixed rental scale are paid on behalf of a tenant to the landlord.

The goal must be to provide sufficient income, housing and home support services to permit seniors to remain in their homes as long as they are able, and to ensure a full range of alternative accommodation, such as nursing homes, when they are no longer able to remain in the community.

The current need for new rental units is significant. The minister has predicted a deficit in Metropolitan Toronto of 50,000 rental units by 1985. An estimated 17,000 units are now needed to return the vacancy rate in that market to a comfortable 2.5 or three per cent.

The Ministry of Housing estimated in 1978 that an average of 20,000 new rental units per year would be required between 1976 and 1981 to meet Ontario demands. Rental starts have not reached that level since 1974, and in November 1980 the minister described rental production to be at a "virtual standstill." The Toronto Home Builders Association has predicted that in 1981 we will see the tightest rental market in more than two decades.

While rental starts are declining, the producers of rental housing have changed as well. In 1973, Ontario's private builders produced 76 per cent of the rental starts in Metropolitan Toronto. By 1977, that figure had dropped to 17 per cent. In fact the two largest developers of rental housing in Metropolitan Toronto in 1979 were both public agencies, the Metropolitan Toronto Housing Company and the Metropolitan Toronto Non-Profit Housing Company.

There can be no doubt that stimulation of the private rental market and the production of affordable rental units for families and singles is of prime importance in Ontario.

3:40 p.m.

Many renters are prospective home purchasers. However, the goal of home ownership is less accessible to Ontarians than it once was. Expec-

tation of home ownership is also down. Canada Mortgage and Housing Corporation reported in 1979 that only 16 per cent of surveyed households felt it was a good time to buy a house. That is the lowest percentage ever recorded by CMHC.

While second-time home buyers can use the equity acquired in their former homes, this is not the case for renters wanting to become first-time buyers. This begins to explain why the market for expensive houses is strong while moderately priced houses are selling at slower rates. With the termination of federal tax deferrals for the first-time home buyer, and the expectation that Ontario house prices will rise faster than the inflation rate in 1981, incentives obviously will be needed if first-time buyers are to be able to enter the marketplace. The result will not only maintain the social and political benefits of ownership, it may also help to free units on the rental market.

Ontario housing authorities are of importance to the people of Ontario. The Ontario government is the second largest landlord in North America. The Ontario Housing Corporation owns or manages approximately 92,000 units in Ontario, and some 32,000 of these are in Metropolitan Toronto. Ontario has spent more than \$2 billion in capital costs in its public housing, and operating subsidies amount to \$250 million a year.

During the period 1952 to 1969 these units were managed by housing authorities established by a federal-provincial partnership. Each housing authority was a corporate body which, in accordance with policy and budget control set by Canada Mortgage and Housing Corporation, maintained its own financial records, hired its own staff and determined local housing needs.

In 1969, Ontario Housing Corporation took over the management of all housing units and began building more. The Ontario government centralized decision making and administration of the housing authorities, undertook the direct management of some areas by itself and established its own branch offices to oversee the housing authorities. Today, public housing for families and senior citizens is located in over 300 Ontario municipalities, managed by 60 housing authorities on both a local and a regional basis.

The role of the housing authority is to manage, maintain and supervise public housing developments. In announcing the establishment of the Metropolitan Toronto Housing Authority on July 7, 1980, the minister said, "The prime responsibility for assisted housing should remain with the province, but the day to day manage-

ment should be the responsibility of the local housing authorities, people with an intricate knowledge of, and interest in, the community."

Although this principle is a good one, the practice tells a different story. While the housing authorities seem to be doing an admirable job, we are concerned that the interference of the provincial government is undermining their efficiency and the respect of the public for them. Since the local authorities are charged with the responsibility for day to day management, they should have sufficient powers to manage, and not simply have the appearance of doing so. The problem appears to be twofold; too much centralization and bureaucracy and insufficient accountability to the public.

In 1972, the government established offices in London, Toronto, Sudbury, Fort William, Ottawa and Hamilton to explain government housing programs and aid to housing authorities. Today, the benefit of the branch offices to the larger authorities is not apparent, although they provide financial advice to smaller authorities which have not been adequately staffed. They function largely in a watchdog capacity, yet are unable to devise or approve policy by themselves without Queen's Park approval.

The view held by the larger authorities is that the functions of the branch offices could, at some savings, be as easily administered out of Toronto. Weaknesses in the smaller authorities could be overcome by bringing in qualified staff, thereby reducing the involvement of the offices in the housing authority affairs.

The government has issued hundreds of guidelines to the managers of each housing authority, outlining procedures to be followed. These pertain to matters from procedure in running meetings to pet control and public relations and are detailed and numerous to the degree that many local managers find it impossible to adhere to them. In this way, day to day management is, in effect, run from Toronto. Without a much greater degree of local discretion to respond to local, unique situations—the original reason for establishing authorities—the authority retains only the appearance of responsibility and must satisfy the provincial government directives rather than the changing needs of the tenants, the community and the board of directors of the authority. The guidelines should reflect matters of province-wide significance only and be simplified.

Board members are unpaid volunteers who are chosen to sit on one of the 60 housing authorities as representatives of the federal or provincial governments or, in some cases, of the municipal or county government, depending upon the size of the portfolio. Although the

government field manual states that "political affiliation is not to be the criterion for selection" of housing authority directors, the majority of members of the Windsor Housing Authority board resigned their seats in June 1980 over the issue of political favouritism in the minister's appointment of the chairman of their board. A similar situation occurred in Thunder Bay in 1979.

The selection by the board members of their own chairmen would avoid conflicts of this nature.

Elected school board trustees are eligible to sit on the board, but elected aldermen are not. If the proper role of the authority is to determine local policy and management, local interests should be represented on the board.

In order to ensure a working relationship with the local council and its goals, it is appropriate that a seat on each board of each authority be reserved for a municipal representative, elected or otherwise. The municipal seat should be a rotating one in district authorities to ensure representation from all municipalities within the district.

This proposal was recommended by the minister's own advisory task force on housing policy in 1973. The regional municipality of Peel and the city of Toronto have proposed we go one step further—giving complete management control to elected regional councils.

Tenants of housing authority buildings are eligible to sit on the board of directors. However, the selection process, which gives the minister final approval powers, has resulted in only a handful of tenants being chosen to sit on all the boards of the 60 housing authorities in Ontario as of November 1980. In that no one now speaks on behalf of the tenants on the board, and that the increasing number of tenant associations being formed would seem to indicate a desire by tenants to participate in decisions affecting their daily wellbeing, representation on the board by a tenant, chosen by other tenants, would be a progressive and conciliatory step towards improved community relations.

A tenant representative for both family and senior citizen tenants, where appropriate, would result in better tenant access to government information, and could help overcome some existing points of tension indicated by 525 cases of assault and the vandalism of one in every six OHC units reported in Metropolitan Toronto in 1979.

Communication and the sense of openness in government can go a long way towards identifying needs as well. For example, approximately 70 per cent of OHC tenants in Metro are single parents, and almost all of these are women. The

need for day care, counselling, public health visits and other services can best be put by those who are in need.

At least one Ontario public servant has been appointed to a housing authority board in recent years. This constitutes a potential conflict of interest and should not be permitted.

Finally, delay in board appointments is a feature of the centralized administration of the housing authority. The East Kenora Housing Authority waited for five months this year in order to have the minister appoint three replacements to the authority board.

3:50 p.m.

The smaller housing authorities have little control over their own expenditures. Expenditures in excess of a set figure—frequently as low as \$25,000—although part of a budget approved by the government, must be approved by the branch office, put to tender, and approved by OHC. There is consistent objection by housing authority managers to this process, which often results in contracts to out of town firms. In this circumstances, the local economy is not assisted; the authority cannot get prompt servicing or repair work from out of town suppliers; local contractors are discouraged from bidding; and delays result in slow delivery of the product. The London Housing Authority recently found it took five months to secure a new filing cabinet.

The setting of policy of province-wide significance is properly the role of the Ontario government, as is its budget approval and performance review of housing authorities. For example, the minister's decision to permit any Ontario resident to apply for housing in any part of the province, as of January 1, 1981, contrary to the "home rule" now practised by some authorities, is a good one. However, the degree of centralized authority exercised by the government in the management of the authorities discourages innovation and forces standardization, limits the ability of the authority to respond to day to day business, prohibits unique solutions to local situations, causes delays in purchasing, and restricts the involvement of local staff and residents in building design and improvements.

In principle, we agree with the general recommendation of the Ontario advisory task force on housing policy that "one aim in assisted housing management should be to delegate as much authority as feasible to local and regional housing authorities." Clearly, we must re-examine the relationship between OHC, the branch offices and the housing authorities, with a view to reduced provincial interference in the day to day operation of the housing authority,

and increased accountability through ensuring municipal and tenant participation in housing authority decision making.

While matters such as the point rating system, income verification procedures, the ability of tenants to transfer to larger units and decisions pertaining to tenant selection are all important, our chief concern is that waiting list applicants are not permitted to know their standing on the list. An open list will avoid discrimination in tenant placement and permit applicants to feel they are fairly dealt with and to realistically plan for their own futures.

Mr. Chairman, just a slight additional comment is that we have gone through—the minister has gone through them also—some of the reasons for the slack in home building. My personal belief is that the delay in approval of development plans by the planning branch has, over the years, delayed the approval of some plans one to four years. This has made the land more costly—beyond the possibility of people making purchases—and again, has brought the price of homes up considerably.

The high cost of land, the rising cost of materials and increases in interest rates and energy costs, and so on and on, these things have certainly affected the building trades. However, I hope that those in authority would take a serious look at some system of asking the federal government to assist in subsidizing interest in some way so that there would be more participation in home ownership.

It is my belief that private lenders should be allowed the interest rate of, say, 12 per cent—if they are willing to put up their money at 12 per cent then the federal government should only tax them on 50 per cent of their income from the moneys derived from loans.

I think it is time that all levels of government took a look at the taxing of the general public, by municipal bodies, provincial and federal, and I think the continual milking of the public by taxes has to stop somewhere along the way. I believe one way to stimulate the home building program is to have a serious incentive in the interest rates being imposed on the people who otherwise would certainly take a serious look at their purchase.

Mr. Swart: It has already been noted that our very able Housing critic for this party is not able to be here this afternoon, but I would like to read at least part of what would have been his opening statement into the record as part of mine, giving him credit for it.

He notes at the outset of his statement that the time allotted for the Housing estimates, of course, is much less this year than in previous

years and, therefore, he was going to make his opening remarks very brief to give some time to Colin Isaacs and me to deal with issues of concern to us and of concern through us to our party.

What he has to say, in essence, is this, and I quote: "I believe that even the most right-wing Conservative on the government side of the House, and by that I mean the minister, would agree that housing is both a social activity and an economic activity." And I am sure the minister would agree with all of those comments. "Where the minister and I probably part company is on the emphasis each of us would put on housing as a social service. Mr. Chairman, I believe that housing is a right in a civilized society for certain people and in Ontario this right is being denied.

"The Social Planning Council of Metropolitan Toronto, for instance, has pointed out that only 30 to 35 per cent of families in need of rent supplement or assistance are receiving it. As the justice committee clearly found out, the poor are inadequately housed and this minister has refused to deal with their concerns. Instead of responding in a positive manner to views, to at least some of the concerns expressed, he chose to act as an apologist in his 45-minute speech before the justice committee.

"It may surprise the minister that not all his staff are as insensitive as he. Off the record, many of them will tell you that they empathize with many of the points of view expressed. Also off the record, some improvements have already been made as a result of the hearings. Perhaps it is better the minister not know of these improvements. He might put an end to them.

"I spent three days recently at the First National Convention on Condominiums. Actually it should have been called the 'International Convention' as there were many representatives from countries other than Canada. I do not know if the ministry had any representatives there, if not, there should have been.

"One of the patterns that is emerging all over North America and, indeed, in major European and Asiatic cities is that the housing of the poor and middle class in urban centres is being destroyed and housing of the rich is taking its place. Mr. Chairman, the rooming houses in downtown Toronto are being destroyed to make room for expensive condominiums. We are told the trend has barely begun in Toronto and we can look forward not to 200,000 condominium units in downtown Toronto, but 400,000 units and even higher. There is nowhere to go.

"The minister claims in his statement that he believes socio-economic mixing is good for society. Some of his officials use this as an

argument for rent supplement as opposed to OHC owned and operated housing. I ask the minister, where is the socio-economic mix in the downtown area where only the rich will be able to live and what happens to the homeless, single person under 60? One need only walk up the stairs of any of the underground parking areas in downtown Toronto to see the increasing numbers of homeless sleeping in the stairwells. Where is the leadership from this government to deal with this issue? There will be little leadership from private enterprise.

"I was with a chap the other day who described how with an investment of \$100,000 he was able to make \$3 million by building expensive condominiums in downtown Toronto. With these kinds of profits, why would free enterprise worry about low and middle income housing needs?

4 p.m.

"Another trend in North America is towards an increasing number of conversions from rental to condominium. This is not simply an issue that is the concern of the Minister of Consumer and Commercial Relations (Mr. Drea). You, as the minister responsible for housing policies, should surely be concerned about the pattern.

"The pattern is very simple. There are now specialists in conversion. The challenge is to take a \$1 million building and merchandise it at \$2 million in less than three months. What are the advantages of this? Does it improve housing stock? Of course not. What it does is to turn a \$1 million building into a \$2 million building with a minimum of cosmetic improvements.

"One of the interesting realities of the conversion game is that it displaces more people from their homes. Developers tell us they consider they are lucky if 40 to 50 per cent of those renting in a building buy into the converted condominium. What happens to the others?

"The irony is that the conversions only become a major problem if rent review is abolished. The economics are of such magnitude that in order to get the cushion of 40 to 50 per cent purchase from within the building, one has to aim at a selling price in which there is only \$30 or \$40 difference between the mortgage paid and the rental of the apartment.

"One real estate supasales person from Alberta told me recently that after rent review came off in Alberta and rent skyrocketed, it became economic to get into the conversion game. What is your policy on conversions and what will it do to the housing stock for certain age groups and income groups?

"Related to this is a statement by the minister concerning the cancellation of the community

services contribution program by the federal government. You mentioned it in your comments, Mr. Minister. We join you in your criticism of the federal Liberal government in this regard. But where are you going from here? What, specifically, have you done as a result of the decision? You are the minister. We expect more than a statement that 'Paul Cosgrove is a bad boy'."

That completes these comments, which I have made for someone else. They represent the views of the NDP, and the comments I am going to make do also. I am going to confine them to your area of responsibility, Mr. Minister, in land-use planning, particularly the Niagara Escarpment, and more particularly, the proposed development in Beaver Valley, known as the Epping Commons development.

I want to review in some detail that situation up to the present time, as it brings into serious question your handling of this matter and the commitment of your government to protect the Niagara Escarpment.

The development proposed for Epping Commons is, as you well know, a Contrakontype development. It is for 305 acres in the Beaver Valley and it proposes a hotel with 40 to 50 rooms, 40 single-family condominium residences, all to be located in the escarpment natural area, with a minor part of it being in the escarpment protection area. Those two, as you know, are the most sensitive areas in the escarpment. There are several streams that flow through the property where the Epping Commons development is to be located. No municipal water or sewers are to be provided for that development.

The area is so desirable for public purposes that it was recommended for purchase by the province in the Gertler report and even the Beaver Valley Planning Board recognizes that. It states in the appendix to amendment 33, which provides for this development, "Provincial studies prior to 1973 suggested that these lands would be purchased by a provincial agency to ensure adequate protection of the natural environment and to provide adequate public recreational opportunities in the escarpment area." That gives a degree of the sensitivity of the area.

Most of that land was bought after the Niagara Escarpment Commission was formed and after the Niagara Escarpment act was passed in which the principles and the objectives of preservation of the escarpment were stated in no uncertain terms. One hundred acres of it were bought in 1969, before the escarpment act was passed, 150 acres in October 1974 and

another 100 acres in May 1976. The purchasers of that property knew exactly the situation that existed at the time they bought that property.

The Epping Commons development, as you well know, is proposed by friends of your government, Cambray Investments Limited and Maxtone Holdings Limited, headed by Sam Kolber, who is also the vice-president of Cadillac Fairview. Cadillac Fairview gave \$2,000 to the central campaign of the Conservative Party in the last provincial election. The lawyers for Maxtone Holdings and Cambray Investment are Goodman and Goodman, of which Eddie Goodman is a principal. I think we know the relationship between him and the Conservative Party. I think it is important to put that on record.

The proposal for the Epping Commons development is contrary to the principles and objective of the Niagara Escarpment Planning and Development Act. It is contrary to the proposed Niagara Escarpment Commission plan. It is contrary to the expressed opinion of the Niagara Escarpment Commission and the principles expressed in the Beaver Valley plan, and it is also contrary to statements made by your government. I am sure, Mr. Minister, I do not need to go into the principles and the objectives of the Niagara Escarpment plan, but it may not hurt to put some of them on record.

The act states that the goal is "to provide for the maintenance of the Niagara Escarpment and land in its vicinity substantially as a continuous natural environment"—I underline the word "substantially," because it comes up later—"and to ensure only such development occurs as is compatible with the natural environment."

Next come the objectives, which are all in your briefing book, Mr. Minister. "The objectives assigned to the commission by the act are: to maintain and enhance the open landscape character of the escarpment; to provide for adequate public access to the escarpment; to ensure that all new development is compatible with the goal for the escarpment; to protect unique ecologic and historic areas; to maintain and enhance the quality and character of natural streams and water supplies; to provide adequate opportunity for outdoor recreation; and to attain the goal of the commission by assisting and co-operating with municipalities within the Niagara Escarpment planning area in their planning functions."

I know that you are aware, too, of the preparation of the draft proposed plan for the Niagara Escarpment. I have already mentioned that the land proposed for this development is in the protection area. If you look at this draft plan

to see what is permitted in those areas, it does not provide for anything like the Epping Commons development.

Let me just read the permitted uses of the escarpment natural areas. "Existing uses; existing agricultural operations; single-family dwellings on existing vacant lots, but generally only where such development be compatible with the objectives of this designation; recreation relating to trail activities, nature viewing and public parks; forest and wildlife management, archaeological activities; essential transportation and utility facilities; and accessory buildings and facilities necessary to support the permitted uses and site modifications required to accommodate them."

It goes on to say, "New lots may be created only for the purpose of correcting conveyances, enlarging existing lots, or through acquisition by a public body."

The minister may say, and correctly so, that the buildings are not proposed on the natural area but rather on the escarpment protection area. Then let us read what is permitted in that area: "Existing uses; single-family dwellings; single-family dwellings accessory to agricultural operations; recreational uses such as golf courses, picnic sites and day-use sites and trail uses oriented towards the land rather than requiring the building of major structures; forest and wildlife management; agricultural operations; archaeological activities; transportation and utility facilities; wayside pits, subject to section 2.8; institutional uses; accessory buildings and facilities necessary to support permitted uses and site modifications required to accommodate them."

4:10 p.m.

It then refers to the existing lots, and I will not read that. As you well know, Mr. Minister, it provides for one new lot to be severed per 100 acres or original township lot. Nowhere within those criteria is this type of development permitted.

The Beaver Valley official plan says this: "No development shall occur until the provincial policy of the escarpment plan is completed." We will come back to that a little later.

The statements by the government itself over the years, surely would prevent, if they were carried out, this kind of a development. I do not intend to read a great deal from them, but there was a document tabled by the Ministry of Treasury, Economics and Intergovernmental Affairs in June 1973, entitled, *Development Planning in Ontario: The Niagara Escarpment*, in which the government expresses its views on the task force report on uses of the escarpment. Near the end the document states, "There is a

clear need for strong leadership in both planning and implementation of escarpment policies. The government of Ontario recognizes its responsibilities to provide that leadership on behalf of all the people of Ontario."

There is an even greater rhetorical flourish as we go on. "Throughout the industrial nations of the world, people have recognized the need to do something about the unstemmed tide of development which could threaten the quality of human life. However, in too many places there is little more than mere recognition of the problem. Ontario is a pioneer in taking action now to provide a better life for the future." It refers to careful planning and development control for the area and it says they may "encounter some teething difficulties."

It then concludes: "Nevertheless, the government of Ontario is convinced that without adequate planning, particularly in this area of the province, the future will bring ecological and psychological chaos. It is entirely appropriate that the place designated for introducing development controls should be the Niagara Escarpment. This ancient geological formation and superb wildlife habitat represents the essence of Ontario: splendour, strength and diversity. It is a place where native plants and animals can flourish as they have for millions of years, where people can find refuge from an increasingly manmade environment and discover their harmony with nature."

"On the escarpment within easy reach of the crowded centres of southern Ontario, it is possible to relax, observe, explore and be refreshed by the presence of something that people have no ability to create and no right to destroy. The government of Ontario is committed to keeping this unique tract of nature for its own sake, for the people of the province and for the future."

This tremendous statement from the government of Ontario is contradicted by what they are permitting to happen in that area. You may say they have changed their minds since then. Of course they have. But let me read to you what the Honourable Rene Brunelle said on May 8, 1978, when they cut the planning area of the Niagara Escarpment in half.

"I will be asking the ministries with responsibility for planning matters to assist municipalities in ensuring that the government objectives for the escarpment are carried out in the remainder of the planning area." That statement was made by Mr. Renie Brunelle just a couple of years ago.

The hearing officer on the appeal with regard to this proposed development, Mr. Minister, had some very appropriate comments. You will have read this in great detail before making your

decision, and you will know that practically his whole decision in that was based on the objectives and the principles and what he considered to be government policy with regard to the Niagara Escarpment.

He says: "Considerable testimony revolved around the interpretation of the word 'substantially' "—where it appears in the goal which I read. "The commission's point of view was that this permits the development of lots of record and permits the continuation of existing land usage, but that the proposal constitutes a change in land use. The point of view expressed on behalf of the appellant is that a fair interpretation of 'substantially' would permit each proposal to be judged on its own merits, quite apart from any artificial ground rule criteria. Judged on this isolated basis"—it's a developer's isolated basis—"it still seems unlikely that the proposed development would not alter the existing continuous natural environment."

It goes on to say: "The commission's stand has been that much careful consideration has gone into identifying recreational areas in the proposed plan, and that any amendment to include additional recreational areas must follow the steps set forth in section 10 of the act." And as you know, that is the procedure for the hearing on the act.

Then he goes on to conclude by saying: "Based on a careful review of all the evidence before me and a viewing of the site, it is my firm opinion that the commission acted correctly in this matter. I believe the commission's decision could be altered by the minister through the imposition of development control"—and I interject here that of course it can, that is part of the act—"but that such action would be wrong in this situation, where a change in land use involves such extensive development. Such change would seem best left for consideration by amendment to the final plan for the Niagara Escarpment."

That is what your appeals officer, Mr. John W. Duncanson, said in his report, which was tabled on December 24, 1979; that this should wait for the escarpment plan.

You know, I am sure, that in this area where proposed development is to take place there is a plan by the Niagara Escarpment Commission which is outlined in its Beaver Valley report of February 21, 1979, which deals primarily with the lots of record, those lots which were created prior to the formation of the Niagara Escarpment Commission. There is in excess of 1,000 lots in that area, of which 600 have not yet been developed.

They state in this, on these private lots which were created prior to the formation of the

Niagara Escarpment Commission, and I quote: "That until the proposed plan is approved"—and that is the Niagara Escarpment plan—"the Niagara Escarpment Commission should turn down as premature all development permit applications involving lots of record which, if developed, would have a destructive visual and/or environmental impact."

That was a clear decision and it has been followed through by the Niagara Escarpment Commission that, by and large, the little guy who owns these lots is not going to be able to get a development permit for them. And I say to you, Mr. Minister, that in the light of all these circumstances, you upheld the hearing officer's report after some eight months, perhaps closer to nine months, and you turned down the development application. That is all normal, that is all logical.

But now, let me outline briefly the bizarre side of this, which was taking place parallel and subsequent to your decision on the development application. I think it is worth reading into the record parts of your letter of October 21, 1980, in which you referred to amendment 33, a new rule being followed in an effort to get approval of this Epping Commons development.

I suggest it was initiated by your ministry and supported all the way through to circumvent the Niagara Escarpment act, to circumvent the possibility that you would have to make a frontal rejection of your appeals officer's recommendation and in an effort to get this development for the friends of your government. You outline in your letter—

Hon. Mr. Bennett: Mr. Chairman, may I interject and say very firmly, frankly and sincerely to the member that if he has any information that would indicate my ministry was behind amendment 33—to propose it, bring it forward, to implement it or anything else—I would appreciate him tabling that information.

As minister, I can tell you, Mr. Chairman, there was no attempt by the ministry to guide, direct the local municipality or the planning board to make any amendments. When advice is sought, I might say, we try to give some advice. Whether it is going to be upheld by a particular board or not is something else.

4:20 p.m.

Mr. Swart: Mr. Chairman, just in answer to that, I will be submitting some evidence and people can judge for themselves whether it indicates what I am suggesting. But I would like to read parts of the letter you sent to the Ontario Municipal Board under the date of October 21, 1980, addressed to Mr. Andrews, the secretary: "Re: Request to refer proposed amendment 33

to the Beaver Valley official plan pursuant to section 44 of the Planning Act, as requested by the individuals and association named on the attached list.

"Upon due consideration of this application, I hereby refer proposed amendment 33 to the Beaver Valley official plan as requested by the individuals and association named on the attached list.

"The amendment would permit a recreational residential development and a resort lodge in the township of Euphrasia."

The lands are described, et cetera: "The lands are within the area covered by the proposed Niagara Escarpment plan. The Niagara Escarpment Commission refused development permits for the proposal on August 20, 1980. I denied an appeal by Cambray Investments Limited and others from the commission's decision. I did so with the proviso that my decision was without prejudice to consideration of an application made under the Planning Act."

Then this significant paragraph: "The public hearings on the proposed Niagara Escarpment plan are currently in progress. As it is clear that it will be some time before the plan is finalized, I consider it appropriate that the proposed amendment be dealt with by the board.

"A staff report summarizing this proposal, pertinent documents and a list of those to be notified of the hearing will be forwarded to the board shortly." That is signed by the minister.

The Acting Chairman (Mr. Hennessy): May I ask if you would be good enough to table the letter?

Mr. Swart: I will be glad to table all of this. It's all available, it's all from the ministry, but I will be glad to table any of the documents I have here. And I think that's a fair request, as I say, records of minutes, et cetera.

So what this letter means is that you have referred a matter to the Ontario Municipal Board technically, which you are required to do, when you receive an amendment. If you have requests for referral, as you did have, and they are substantive and not for delay or frivolous purposes, then you must refer them. So I say technically you did have to refer this because you did have requests for referral.

What you did not have to put in it, to jeopardize it, was the clause that the Ontario Municipal Board should go ahead and hear it. You have stated to the Ontario Municipal Board government policy, because you are a minister of the government, that they should go ahead and hear this. In other words, they should reject any submissions by people who are concerned that the board should not hear

that at this time, which they have the power to do, because it is premature. This has been said by the Niagara Escarpment Commission, and has been upheld by the hearing officer and upheld by you.

But you have now indicated that the OMB must, by government policy, proceed with that at this time. To put it mildly, that was an action on your part which was very biased towards the developers in that area. I will let people judge that as they may. I am making that statement categorically.

You do this in spite of a letter which you have received—or your ministry has received, to put it more accurately—from the Niagara Escarpment Commission, dated September 22, which states as follows:

"Ms. S. Fraser, Planner, Community Planning Review Branch, Ministry of Housing"—et cetera.

"Re: Proposed amendment No. 33 to the official plan for the Beaver Valley planning area:

"The Niagara Escarpment Commission considers proposed amendment No. 33 to the Beaver Valley official plan premature for the following reason:

"The amendment's resort residential designation is not in conformity with the proposed plan's escarpment protection designation. It is quite evident that this development proposal really requires an escarpment recreation designation, which the commission established precisely to accommodate the type of recreation-oriented development proposed in Epping Commons." And may I interject here, as you well know they have some of this designation on some of the Beaver Valley, but not in that area.

"The proposed plan, however, is now the subject of public hearings and the commission is functus in this matter. The developer has notified the chief hearing officer of his intention to appear at the Grey county phase II hearing to present his case." If I may interject again, as we know, that is a hearing which is now taking place and has been going on, I guess, for about a year with regard to the Niagara Escarpment plan. "Therefore, he is taking the appropriate steps laid down in the act to secure his interests. Eventually cabinet will decide on the success of his efforts. The amendment, therefore, is premature." This is signed by C. A. Louis, Senior Planner, Niagara Escarpment Commission.

That was sent to your ministry. Incidentally, I presume you have seen this letter.

Hon. Mr. Bennett: I will have to check my files.

Mr. Swart: That was sent on the basis of a report—which, I presume, you would also have

seen—of the Niagara Escarpment Commission planning department that also makes some very strong statements with regard to this. It says:

"The proposal is premature pending completion of the Niagara Escarpment master plan. Development of this density, with its subsequent visual and environmental impact, cannot be deemed to be compatible with the natural environment of the Niagara Escarpment, contrary to the purpose and objectives of the Niagara Escarpment Planning and Development Act."

I should state I am quoting from a document entitled, "NEC motion amendment No. 33 BVOP, September 18, 1980," of the Niagara Escarpment Commission.

Under "Comment" it states, "The purpose of this amendment 33 is to permit the same development which the commission turned down last September when it refused development permit application G/R, C/79/222... It should be noted, however, that the commission's legal advice always has been that it should use official plans only as reference documents when making decisions on applications. Legally, therefore, if development permit application G/R, C/79/222 were approved, there would be no need for amendment No. 33."

You would also agree that the reverse is true. If that was turned down in good faith, then there should be no amendment 33 by the escarpment commission, by the appeals officer and by the minister.

I have said to you, Mr. Minister, in my view the ministry supported this amendment, probably initiated it, but certainly was deeply involved all the way through to see that this amendment was passed and got into your ministry before you turned down the original recommendation of the appeals officer. After having it in your possession for eight months, you turned it down on August 20, two weeks after having received this amendment, to go another route to get the approval. As the escarpment commission says, it was another route to get the approval for the Epping Commons development.

4:30 p.m.

I want to read from a statement of the Beaver Valley Planning Board. In fact, it is a letter to you, dated October 8, 1980, which, in part, reads as follows:

"In September 1979 an application was made to the Niagara Escarpment Commission for a development permit which was refused. On October 1, 1979, the Beaver Valley Planning Board appealed the decision and following the appointed hearing, the appeal was denied."

This is the significant sentence: "During this

same time period an application to amend the official plan was received upon the advice of Mr. Milt Farrow of your ministry, who met with members of council and planning board and toured the site of the proposed development." I repeat, "was received upon the advice of Mr. Milt Farrow."

And the final sentence in that letter to you—it does not say this came from Mr. Milt Farrow—says, "The Beaver Valley Planning Board therefore requests that a decision on amendment No. 33 by your ministry be forthcoming without a hearing by the Ontario Municipal Board."

That was a request from the Beaver Valley planning authority.

I have also here minutes of the September 23, 1980, meeting of the Beaver Valley Planning Board which state: "Motion No. 2: Moved by Mr. Betts and seconded by Mr. Woodhouse, that the Beaver Valley Planning Board express their support of the Epping Commons development to the Minister of Housing, stating to the minister the steps that have been taken by the board and stating that Mr. Farrow advised this board that in order to expedite approval of this project the board should process an official plan amendment."

I also want to read to you minutes of the council for Euphrasia township at its regular meeting on May 5, 1980. The last paragraph on page one reads as follows:

"Mr. Ross Arthur was accompanied by Mr. Peter MacInnis, representing the interests of Epping Commons. Mr. Arthur reported on the meeting with the Beaver Valley Planning Board and Mr. M. Farrow, of the official plans department, Ministry of Housing. He noted that the point was made strongly that an amendment was required to the official plan to allow for the development. It was indicated that this was the only route if the applicant wanted the development... because of the implied 'no' without the amendment"—and I want you to note that. Back in May 5, 1980, the implied "no" was given, although you did not give a "no" until August 20, 1980, which is some three months following that—"Mr. Arthur recommended that an application be filed to amend the official plan."

Then, we go back to March 8, 1980, which is the first reference in the minutes to this whole matter of the official plan, at least any minutes I have been able to obtain. These are minutes of the Beaver Valley Planning Board, held in Clarksburg on March 18, 1980; and I quote.

Under the item "Correspondence," there was a letter from M. Farrow, Ministry of Housing, dated March 6, 1980, re: Epping Commons. "The letter from Milt Farrow was discussed and

it was agreed that the chairman would set up a meeting with Mr. Farrow, members of the planning board, members of Euphrasia council and the planning department to discuss the Epping Commons development."

I would ask if you would table with this committee a copy—and I am sure you will—of that letter dated March 6, 1980.

There may have been correspondence prior to that time. There may have been discussion prior to that time with your ministry. But, certainly what I have read into the record indicates that your ministry was part and parcel of promoting this alternative route so that the principals in the Epping Commons development could get approval for a proposal which had been turned down by the Niagara Escarpment Commission, turned down by the appeals officer and, subsequently, turned down by you.

Is it not true that Mr. Milt Farrow, whom I know and who was here and is still here, is, in fact, the person who strongly recommended to you—

Mr. Chairman: Would you like him fired?

Mr. Swart: No, I am not asking that. I think the minister should establish his policy, not his assistants. The minister has the authority for it and the fault lies with the minister, not with anyone else.

Is he not the person who strongly recommended to you to approve the Cantrakon application? Did he not state publicly that he personally agreed with the location of the Cantrakon project on the escarpment, as it was a type of proposal that needed special topography? If he, then, is so pro-development, can you tell me that he did not recommend over and over again, with your concurrence, this alternative route to be used to circumvent the decision which had been made to turn down the development, at least until the Niagara Escarpment Commission had dealt with it?

Hon. Mr. Bennett: Do you want me to answer that now?

Mr. Swart: I have a number of questions that I would like you to answer later.

Hon. Mr. Bennett: Mr. Chairman, I think since Mr. Farrow's name is in the discussion, it would only be proper—if we are going to clear up things as they are raised, now is as good a time as any to do so.

Mr. Chairman: I think that would be appropriate if all members of the committee agree.

Hon. Mr. Bennett: Mr. Swart, you spent some time in municipal government and you are very much aware of the way municipal governments

go about seeking advice and suggestions from the ministry or its people relating to the planning operations in Ontario.

I recognize all the things you have said about Epping Commons and their development, the commission and its refusal, the hearing officer and his refusal, my acceptance of the hearing officer's refusal, the fact there were 15 people who asked this minister to refer the item to the Ontario Municipal Board. And I trust they did that in good faith. That is why I took the option of sending it on to the Ontario Municipal Board, in a letter phrased similarly to a great number of other letters that I send to Mr. Andrews and other people at the Ontario Municipal Board.

Coming back to Mr. Farrow and his involvement in amendment No. 33 to the Beaver Valley official plan: Mr. Farrow and other people in my ministry—Mr. Wojciech Wronski, Anne Beaumont, and I suppose we could go down the line—are asked continually by municipalities, by planning boards: "How would we achieve X, Y or Z goal if that was our intention to do so? Can you give us any insight?"

Whether we agree with it or not is not the point. The fact is that we are asked for some advice and some guidance, never knowing exactly where it might turn up, either in writing—which is fine—within their minutes, or it might turn up at a municipal board hearing.

Knowing Mr. Farrow, as I have for the nine years I have been in the provincial House, and for a number of years when I was in municipal politics in the city of Ottawa, his advice, ideas and suggestions have been sought by many. Indeed, when I was chairman of the planning board in the city of Ottawa and we had difficulties, we did not hesitate to make use of Mr. Farrow's advice as to how we might achieve certain objectives or goals of that planning board or that council. I do not think it is any different with Beaver Valley than it is in my previous experience.

They would come and ask advice. Mr. Farrow would try to be as open and frank with them in how they might achieve what they want. Let's leave aside whether it is right or wrong. If they are asking a question regarding what they want to achieve, I would suggest that Mr. Farrow, in fairness and honesty, would say to them, "If you are to do what you want to do, it will take an official plan amendment."

4:40 p.m.

Now, if it is wrong for Mr. Farrow to do that, then I am sorry. But the final decision of whether an amendment to an official plan comes forward or not has to be determined by the planning board and by the council of the

day. I do not want to have it thought that Mr. Farrow or I, or anyone else in this government, is promoting this particular development in any way, shape or form.

In answer to your last remark regarding being pro-development, or whatever other phraseology you want to use, my advice in the ministry comes from many people—Mr. Wronski, the assistant deputy minister in charge of that division of the ministry, and from others employed within that division. I would not say Mr. Farrow or Mr. Wronski, any more than any of the others, have come forward with suggestions and advice relating to requests by municipalities or individuals for the minister's action thereon.

Mr. Swart: I am drawing to a conclusion. I have several questions I wanted to ask but I would just like to reply to that first.

I recognize the responsibility, and even the desirability, of your ministry and your planning department giving advice to municipalities on what routes they can use, although usually this sort of thing is done by their own solicitors, but if they come and ask your ministry I do not object to that.

If that had been done only in isolation, when you had not already made a decision on a particular project, and it was not done to promote a particular project, then that would have been a different situation. If it had been done in isolation, when your letter in which you submitted this to the Ontario Municipal Board did not say they should consider it, even though the Niagara Escarpment plan was before the hearing officers at the time, then that would have been a different situation.

You mentioned that you have done this in many other letters. Will you table before this committee any letters you have sent to the OMB dealing with a major development on the Niagara Escarpment Commission where you have asked that it be proceeded with, regardless of the fact that the plan was before the hearing officers? Will you do that?

Hon. Mr. Bennett: Let us get down to it. We are now talking about very isolated cases, just the things that affect the Niagara Escarpment.

Mr. Swart: That is what I am talking about.

Hon. Mr. Bennett: That is correct, and I am saying to you that I have hundreds of letters go to Mr. Andrews every year referring things to the Ontario Municipal Board where others have rejected them and saying very frankly—

Mr. Swart: That is not what I understood you to say.

Hon. Mr. Bennett: That is exactly what I said, if you go back and read Hansard.

Mr. Swart: Whether I understood you correctly or not, will you table with this committee any letters where you have referred the matter to the Ontario Municipal Board during the period of time since the Niagara Escarpment draft plan was produced, in which you asked the Ontario Municipal Board to deal with it?

Hon. Mr. Bennett: I do not think I have referred that many things to the Ontario Municipal Board on this subject; that was my very broad remark earlier.

Mr. Swart: If there are any, will you table them?

Hon. Mr. Bennett: Yes.

Mr. Chairman: As chairman, I am a little confused. Where are we going, are we continuing? You said you had more questions.

Mr. Swart: I am continuing for about five minutes.

Mr. Chairman: It is a quarter to five.

Mr. Swart: I will get the questions in before the five o'clock adjournment.

Mr. Chairman: And the minister can respond probably next Wednesday morning.

Hon. Mr. Bennett: Just one other positive answer, because I think you did ask me a previous question re the Cantrakon project, which is some two or three years old; you asked whether Mr. Farrow was the one.

No, it was a departmental or ministry decision with a branch recommendation.

Mr. Swart: I realize that you cannot blame those things on the people who are reporting to you and for whom you have the responsibility.

Hon. Mr. Bennett: I said it two years ago in essence and I say it again today.

Mr. Swart: Mr. Farrow, as I am sure you are aware, did openly state that he had recommended it, according to documents which I have here and which I will be prepared to table. He had recommended and was supportive of it.

It would seem to me, therefore, that those kinds of recommendations on something like this would show some rather serious disregard for the principles and the objectives of the Niagara Escarpment plan after the Niagara Escarpment Commission had made such a definite statement about this contravening the Niagara Escarpment act and the proposed plan.

Hon. Mr. Bennett: I trust, Mr. Chairman, that the member is saying that he has some degree of confidence and faith in the Ontario Municipal Board. I would trust also that all of the docu-

mentation, whether from the Niagara Escarpment Commission, the hearing officer re the Niagara Escarpment, and indeed all other information from the Beaver Valley group and so on, will be tabled with the Ontario Municipal Board, and in good, fair, honest judgement I think they will make a decision.

Are you saying to me I should not have referred them to the municipal board?

Mr. Swart: I am not saying that; you had no alternative. I know from the letters of referral you had that you did have an alternative earlier. It was brought up in the House. Those people would have been willing to withdraw if you had given your guarantee to turn that down, the same as you had turned down the development permit. You had that option but you decided not to take it. Therefore, the only other option you had was to refer it to the Ontario Municipal Board.

I must again point out that you have shut off, in one respect at least, a fair decision by the Ontario Municipal Board, because it must hear this now. It could have made a determination as to whether it was premature. You know as well as I do that on many of these things the Ontario Municipal Board will, in advance of a hearing, hear from both sides whether it should proceed. But they cannot now do that.

Hon. Mr. Bennett: Mr. Chairman, I beg to differ with the member. The Ontario Municipal Board is under no obligation to this minister. It does not answer to me; it answers to the Attorney General of this province.

My letter goes to them. The municipal board, under Mr. Stewart and the other hearing officers, will determine the course of action and the date, regardless of what my letter happens to say to them. They will come to the determination of what is an appropriate time for it to be heard. You have a great deal of confidence in that board, I take it.

Mr. Swart: Technically they have the power, but you know over and over again the Ontario Municipal Board has said, "We don't make policy, we interpret policy; and when it is government policy, we interpret in the light of that policy." The government policy, which you have submitted to the Ontario Municipal Board, is that they shall proceed with the hearing on this matter. They may not hear the option, which they otherwise would have done—

Hon. Mr. Bennett: You are wrong.

Mr. Swart: —of determining that it was premature and not proceeding with it at this time, or delaying it until after the Niagara Escarpment Commission—

Hon. Mr. Bennett: That is an opinion of yours. I have to say that the member is wrong, Mr. Chairman. The decision will still rest with the municipal board regardless of what I or anyone else puts in the letter.

Mr. Swart: I am willing to rest my case on whether restrictions have been put on the Ontario Municipal Board by your letter.

Hon. Mr. Bennett: I trust that what you are saying to me is that those requests for referral were bona fide requests for referral.

Mr. Swart: Yes, except that they were willing to withdraw them.

Hon. Mr. Bennett: That leaves a question in someone's mind, then, whether they were.

Mr. Swart: They were bona fide requests for referral.

The final point I want to make, before I ask several questions, is relative to my question in the House. The minister will remember I asked him in the House, on October 20, about this matter in these words:

"Mr. Speaker, I would like to ask the Minister of Housing if he has received or has before him now a proposed official plan amendment from the township of Euphrasia for the purpose of permitting a 300-acre residential and commercial development on the Niagara Escarpment natural protection area on the slopes of Beaver Valley.

"Is it not true that the Niagara Escarpment Commission rejected the same proposal under its development control policy because 'it is contrary to the purposes and objectives of the Niagara Escarpment and Development Act,' and that on appeal by the developers the rejection was upheld by the hearing officer and by the minister? Is the minister going to be consistent and reject this new manoeuvre, if he is not part of it; and if not, why not?"

Your answer was: "I will answer the first part of the question in a very positive way. To the best of my knowledge, it has not appeared on my desk at this point. Until it does and I know the background of it, I have no intention of offering any further answer to the question."

That was on October 20, after, as you are well aware, you had signed many letters relative not only to turning down the development permit, but also to the hearing, as well as acknowledging that you had the amendment. I know many amendments come in to you. I accept what you say. But it is difficult for me to understand how you would not be aware that there was an amendment on your desk regarding a development of this magnitude in a sensitive area, or that you did not know the background of it. Yet,

the very next day you reported to the House that you had referred it to the Ontario Municipal Board with instructions that they should consider it even though it was before the commission.

That may have been done in all innocence, but I suggest a case can be made of undue haste following a question of substance being raised in the House.

Mr. Chairman, I want to just look briefly—

4:50 p.m.

Hon. Mr. Bennett: Mr. Chairman, since my integrity has been called into question by the member—

Mr. Chairman: Indeed it has, Mr. Minister. I think you should respond.

Hon. Mr. Bennett:—let me make it very clear to the member that what I said in answer to the question on October 20 is still 100 per cent correct. As I said to the member a day or two later, there are hundreds of requests for amendments and there are thousands of letters that come in from interested local citizens asking for certain actions to be taken on those amendments, or on some changes in certain bylaws that have come within the purview of the minister to review.

I make no apologies to you, sir, for the fact that with all of these coming across my desk, I do one thing as quickly as I possibly can. Whether it be Mel Swart or anyone else, I try to report as quickly as possible on the fact that his or her or their letter has been received in my ministry for action.

Letters are addressed to the minister which are requests for referral; I acknowledge that. I was asked, by the reporter who is sitting in this very room today, do I read every one of them? I do not read every one of them. I put that on the record very clearly today. I sign them and try to get back to the individuals as quickly as possible to reassure them that at least the file is in the ministry and being reviewed. That is exactly what my letter says to each one of them; that it is now going through the circulation process.

You asked me the question. I immediately went back to my office and asked for a report on the situation. They informed me that we had had 12 requests at the time—you said only three, but there were 12 requests—

Mr. Swart: Eleven.

Hon. Mr. Bennett: Eleven or 12—there are now 15—to refer to the Ontario Municipal Board. It appeared, as you have said, that they were bona fide requests for referral and I took that very action to refer them.

Some of your friends, sir, were constantly calling to find out whether we were going to

respond or react to their requests in a favourable manner. Regardless of the size of this project, I make no apologies, because I have a number of them across this province. I do not believe it is altogether correct to say the minister is going to recall every file that he or his ministry happens to be working with.

I made an honest, sincere statement. If your feeling is that I was aware of it, then let that be only your view, because I am telling you—and I would say it on a stack of Bibles—that was the truth of the situation as it stood on October 20. Again I say to you, I took what I thought was the appropriate action.

Mr. Chairman: There is just 10 minutes left, and I am getting a little worried about the time frame. Mr. Hennessy says there's five minutes left, but by my little ticker it says 10 minutes.

What are your plans, Mr. Swart? Do you have further questions?

Mr. Swart: Yes Mr. Chairman. As a prelude to my question I want to review briefly what is going to take place now.

If this is approved by the Ontario Municipal Board—and there is bias already built into it—then I presume there will be another development application made to the Niagara Escarpment Commission because it is the supreme authority in this. As we already read into the record, it may pay some attention to the official plan, but it makes a decision on its own.

If the further application for a development permit is turned down, it will go to the appeals officer. If it is turned down there, it will be back in the minister's lap exactly as this one was. That is the procedure it will go through. By that time the election will be over. You will be home free to approve this development with an election not facing you—although there are enough of these things now that you may very well not be there.

I want to ask several questions.

Hon. Mr. Bennett: I do not think that is a fair position for a member to take at all. We will act and respond in a very positive and frank way in this situation. And you talk about friends as if you don't have some of them around at times. But in this case, I tell you we made a decision based on the sincerity of the overall development of the Beaver Valley.

And you know, Mr. Swart, you and I have served on municipal council, and at times we are asked to give some degree of recognition to municipal councils and their autonomy, even though it does not suit us. The local council, the local body, asks for a referral or asks for an amendment which has got a referral. Surely to goodness you would have to say, sir, if you still

believe in municipal government and autonomy in municipal government, they are entitled to at least their day in court as well.

Mr. Swart: I agree and I believe that the minister has a responsibility to want to have policies of his government clearly stated in acts. My question is, did you consult with the Provincial Secretary for Resources Development (Mr. Brunelle) before sending that on to the Ontario Municipal Board?

Before you answer that—and you may want to take this under advisement—there is no record of when you referred this to the Ontario Municipal Board. Although there had been a record, a copy of your decision on the permit had gone. There is no record that you sent a copy of your reference letter to the Ontario Municipal Board to the Provincial Secretary for Resources Development. You can take it under advisement if you wish, but I would like to have that answered.

Did you know when you wrote the letter referring this to the OMB, with that particular clause in, that the Niagara Escarpment Commission opposed the amendment and had submitted a letter opposing the amendment?

Hon. Mr. Bennett: I will take it under advisement; I want to answer the whole thing at once.

Mr. Swart: I want to ask you, did the Minister of Natural Resources (Mr. Auld) and the Minister of the Environment comment on the amendment, and if so, will you table their comments?

And then I would like to ask you, and perhaps you could answer this now, if after the OMB hearing it is at the same place, as it will be if they are successful at the OMB—that is, to go back to the Niagara Escarpment Commission for a development permit—why go through the expense of the hearing, which is likely going to cost tens of thousands of dollars, particularly to groups who cannot afford it? If it is going around a complete circle and back to them, why was it referred, why did you and your ministry ask for it?

Are you taking that under advisement to answer too?

Hon. Mr. Bennett: Put the whole thing on the record, and we will answer the whole question.

Mr. Swart: You have already answered one of the questions I had here. This is an important question, and you can perhaps answer it now, unless you want to check with your ministry.

Have you given an indication to the municipality and/or the developer that next time around, if an application is made for a develop-

ment permit and if this is approved by the OMB, you will likely approve it? If this amendment is approved by the OMB—

Hon. Mr. Bennett: Amendment 33.

Mr. Swart: Right—and then the application for a development permit is made again to the Niagara Escarpment Commission, have you given any indication that when it goes up the ladder and gets to you, you will, on that second time around, approve that application for a development permit?

Hon. Mr. Bennett: I can answer that question with no trouble. Absolutely not.

Mr. Swart: Have any of your officials given any such indication?

Hon. Mr. Bennett: The only one who counts in giving any decision is the minister.

Mr. Swart: Could you explain this, because there is no guarantee that the plan would be approved with the amendment?

The indication was that the minister would look more favourably on the proposal which is in the minutes of the meeting of Euphrasia township of May 5, 1980. On what basis would they have received that information when this was from Mr. Ross Arthur, who is a planner there, accompanied by Mr. Peter MacInnis, representing the interests of Epping Commons?

Mr. Arthur reported on the meeting between the Beaver Valley planning board and Mr. Farrow of the official plans department. That statement is made in their minutes. Could you explain that?

5 p.m.

Hon. Mr. Bennett: Obviously I could not explain it. I was not even there.

Mr. Chairman: I think this is it, Mr. Swart, the last question coming up.

Mr. Swart: Do you not think that this sets a dangerous precedent? There have been other developments turned down on the Niagara Escarpment by the Niagara Escarpment Commission, some of them fairly substantial requests. In view of the fact this so clearly contravenes the Niagara Escarpment Act and the proposed plan, do you not think this sets a tremendously dangerous precedent? All kinds of other applications could come in and you will not be able to refuse them, because you have not turned this down.

Hon. Mr. Bennett: I take it what you are still getting at is whether I should or should not have referred to the municipal board. Is that your point?

Mr. Swart: Whether you should have referred it with instructions and whether your ministry should have promoted this through this procedure.

Hon. Mr. Bennett: Once again, I put a disclaimer against any type of a promotion by our ministry or the Minister of Housing. Advice is sought; even though it sometimes is against the policies of the ministry, the fact is, if someone seeks advice as to how they achieve something, we try to give them some degree of indication how they can do it. That does not mean to say that it will ever get beyond a given point.

The fact is we did not promote amendment 33, regardless of what your views happen to be, sir. Second, you have already admitted that my only course of action in reality was to send it to the municipal board, after requests from some 15 people.

Mr. Swart: After you had rejected the option which you had put forward about withdrawal of the referral of requests and turning it down at that time. You know that was an option which was before you.

Hon. Mr. Bennett: The option before me was amendment 33.

Mr. Swart: There were 11 letters before you.

Hon. Mr. Bennett: That is correct.

Mr. Swart: You will recall in the House that you were asked very specifically, if those letters were withdrawn, would you reject the amendment.

Hon. Mr. Bennett: That option was not before me, sir, other than as per your remark, period. There was no other indication to me at the time that anybody was indicating that he or she was prepared to withdraw their letter—

Mr. Swart: You did not explore it, even though I raised that issue rather clearly.

Hon. Mr. Bennett: Let me tell you, once I get a letter for referral, I take it to be a bona fide request to the ministry, not just some kind of a sham to see how far you can use it for negotiating purposes.

Mr. Chairman: That is it guys, it's five o'clock. I am sorry, Mr. Swart, I haven't been here all afternoon, but I find your line of questioning very interesting and very thoughtful. As a matter of fact it is about as interesting as when you bring chickens and toilet paper into the House.

Mr. Swart: You are not very observant. I don't bring chickens into the House.

Interjections.

The committee adjourned at 5:03 p.m.

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Epp, H. (Waterloo North L)
Hennessey, M.; Acting Chairman (Fort William PC)
Isaacs, C. (Wentworth NDP)
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Legislature of Ontario Debates

Official Report (Hansard)

Standing Committee on General Government
Estimates, Ministry of Housing



Fourth Session, 31st Parliament
Wednesday, December 10, 1980

Speaker: Honourable John E. Stokes
Clerk: Roderick Lewis, QC

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LEGISLATURE OF ONTARIO

STANDING COMMITTEE ON GENERAL GOVERNMENT

WEDNESDAY, DECEMBER 10, 1980

The committee met at 10:20 a.m. in room 228.

ESTIMATES, MINISTRY OF HOUSING

(concluded)

Mr. Chairman: I see a quorum. We have been meeting day in and day out on plant shutdowns, and from time to time, Bob Mackenzie lacerates the Tory members, of which I am one, for not having all or any of their members present. I want to let Hansard note that it is now 10:20. Unfortunately we have been waiting for the third party so we can get started.

We had originally anticipated starting at 10 and going until noon. We are still going to finish at noon because the committee is sitting again at one o'clock, an hour earlier, to consider Management Board of Cabinet estimates. We will break for question period and then come back to try to fit in the necessary hours.

I apologize to the committee for yesterday. I had not realized that we were considering private bills after question period on Tuesday. I thought it was scheduled for one o'clock on Wednesday. However, that progressed speedily.

I will also be slipping in and out of the committee this morning to try to monitor what is taking place on plant shutdowns. I will call upon Mr. Epp, if he is available, to be acting chairman.

I want Hansard to record that the member for Carleton (Mr. Mitchell) will be taking the seat of Mr. Sid Handleman and will be sitting as a member on the committee.

If memory serves me correctly, Mr. Swart was haranguing the minister about the Niagara Escarpment, the Ontario Municipal Board and other areas of interest. He is not here at the moment, but I think the minister has a response to some inquiries. We were left with five or six of Mr. Swart's questions and the minister was going to respond. I suggest that we let the minister respond to those questions, and then we will continue.

It is my understanding that after we are through with the questions from the NDP critic of the Ministry of Housing, we will go into

specific votes, or, perhaps, have a general discussion to finish off the last two hours. Are there any comments from committee members?

Mr. Warner: I know that Mr. Swart will be here. He is at present in another committee downstairs. They were kind enough to let him develop the matter down there. It is a procedural situation. He should be up here, I would think, within the next 10 or 15 minutes.

It is obviously at the chair's discretion how you wish to proceed. The minister may wish to wait until Mr. Swart arrives, or he may wish to go ahead with the responses which he has or deal with some other matter. Whatever your choice, it is immaterial to me.

Mr. Chairman: We are always willing to try our best to accommodate members. The Liberal critic and his colleague may wish to continue some other line of questioning, if the minister is kind enough to wait for Mr. Swart to come back before he answers the NDP critic's questions.

Mr. Epp: I think that is an acceptable way of proceeding. We have some questions. I have some questions.

In deference to Mr. Swart, maybe we should wait until he is here before the minister replies. I am also very interested in the Epping Commons development. I hate to see my name used in vain.

Mr. Chairman: We shall carry on, then, until noon and then have a general vote.

Hon. Mr. Bennett: Perhaps you would like me to open up by my responding to some of the points Mr. McEwen questioned earlier.

Mr. Chairman: That seems reasonable enough. Since the Liberal members have been kind enough to agree to that adjustment, I think it is only fair that the dialogue continues to the degree that there will be some continuity, notwithstanding the time Mr. Swart arrives.

Mr. Epp: There has usually been a fairly equal amount of time allocated to the various parties. The other day we had about an hour each. If we were to take the first hour today and the NDP the second hour, that would make the allocation about equal.

Mr. Chairman: I think you will have the first three quarters of an hour and the NDP the last three quarters of an hour.

Mr. Epp: That is fair enough.

Mr. Chairman: All right. Fine.

Hon. Mr. Bennett: Let me try to go over some of the points. I trust I will touch most of those which Mr. McEwen and Mr. Epp brought out a week ago today. Mr. McEwen, the member for Frontenac-Addington, covered a lot of ground. I assure him that while I will confine my remarks to a few of the salient points—I won't try and cover all of them, Earl—I am very aware of the significance of the other matters he identified. I share a number of his concerns and have been addressing many of the problem areas he indicated. As indicated, Mr. Swart covered some ground, which we will come back to.

Mr. McEwen correctly identified many of the factors contributing to the decline in housing starts in recent years. He mentioned inflation, high and fluctuating interest rates, which I have already said is one of the factors detracting from the housing industry, the rising energy costs and the demographic changes that we are experiencing in Ontario and in Canada generally. But I must say I take strong exception to Mr. McEwen's statement that we are "tinkering with the Planning Act" and to the vague references to the delays in obtaining Ontario Municipal Board hearings as factors adding to development costs.

Just so there is no misunderstanding, I have said in the House, in these estimates of a year ago and on several occasions when speaking with municipal organizations, that we do not consider what we are doing with the Planning Act to be "tinkering." We are revising an act which is 34 years old and has had a number of amendments made to it. It does cause some complications and confusion in the housing industry and in the municipalities.

We opened forums all across this province and to date we have something very close to 400 briefs and comments from the people who are directly involved with the act at the municipal level, from groups, from professional organizations and from individuals. These are now being analysed by my staff to find out exactly what the general views are regarding the present Planning Act and the areas of amendments, some of which, you will recall, Mr. Comay, as the chairman of the study, had recommended.

We would hope to complete that within a reasonable period of time, and I cannot try to pin it down for the simple reason that every time we look at the Planning Act we get ourselves into the situation that when we start to make a further amendment or adjustment, we receive

further comments from municipalities and so on. However, we appreciate and welcome the information we have been receiving. We think the advice will stand us well in the new Planning Act that will come into being. I want to emphasize, Mr. McEwen, that we do not consider that we are tinkering with that act.

As for the so-called "delays" in the OMB and the need for a speedup in the processing of hearings, I must say that a rather interesting situation is developing. In some areas we have been able to speed up OMB hearings to the point where the applicants and their lawyers are now asking for further time so they can prepare their cases properly. Just the other day a case was being called by the OMB and the lawyers were not prepared to proceed because they did not have all the necessary facts and figures in place.

We would be prepared, Mr. Epp, to give you a full breakdown, if you wish, of the time frames that have been involved in the request for OMB hearings. It is rather interesting that the problem quite often seems to happen to be the high-profile cases, those with a high visibility factor, which gather some attention. But in general things proceed.

As I said to Mr. McEwen the other day, we would not have the problems we have with the OMB if everyone was to do what the Planning Act says or what the official plan says. Then we would not get into so many disputes. But the fact is, we have people who want to do something considerably different from what is allowed in the local situation.

Mr. McEwen: Can I break in here for just a second? The delays in OMB hearings I referred to from my personal experience are caused by the OMB not setting an early date. Some of these hearings have been held off for as long as six months while the OMB decides on a hearing date.

We had an instance in one municipality where the OMB hearing was getting on well and the chairman advised the municipality to withdraw the application.

10:30 a.m.

This is absolutely wrong. First of all the OMB did set the date. It took considerable time for the hearing, and during the hearing the chairman recommended to the municipality to withdraw. This is really tinkering with planning and with the process. If they got on with the job and the chairman heard the case, regardless of his feelings, his decision will be made after the hearing has been held. That is where my comments—

Hon. Mr. Bennett: Mr. McEwen if you wish to give me the particular municipality and so on, we will review the situation according to our files. Obviously you realize that the OMB does not report to me.

Mr. McEwen: Okay, fine, Mr. Minister. Then I will bring this to a head. I did write you a letter and asked that the municipality be allowed to meet with you and you refused, prior to their application to the OMB.

Hon. Mr. Bennett: Just a moment, which municipality are you referring to?

Mr. McEwen: Storrington township. Your reply was that it would not be an advantage for seven people to meet with you.

Hon. Mr. Bennett: The fact is if it had been requested to go to the municipal board, there is not very much—

Mr. McEwen: No, it was not a request to the OMB at that time. A meeting was requested with you.

Hon. Mr. Bennett: I would say to you, Mr. McEwen, I am prepared to look at the file and find out why, because I meet with most groups, and I don't think any member in this House can deny that. I meet group after group after group, organization after organization, to review whatever it is they wish.

Sometimes there is not a great deal of sense in meeting with them, because the die has been cast and we know the direction in which they are going, and for me to become involved—

Mr. McEwen: Regarding the OMB delaying it, I am not placing the blame on your ministry. That is a separate issue. The OMB delay is caused apparently by having too many cases and not enough staff.

Hon. Mr. Bennett: Let's just look at that; it is a frivolous thing that you mention, sir. I do recall back about two years ago, when I had just become the minister—Mr. Epp will recall—that I introduced some amendments to the Planning Act which would allow us to get rid of some of what could be considered, I think, in very honest and frank terms, frivolous applications that did not require and do not require a hearing.

I could go into a very personal one that is going on right now where we are taking up OMB time for an addition to a home of something less than 100 square feet. It now has to go through an OMB hearing. It has been given minor variance approval by a municipality and that has been appealed to the OMB. I can only tell you that at the time we asked, as Mr. Epp will recall, we did not get the support for a number of reasons.

Mr. Epp: Let me also say, Mr. Minister, that when we had those discussions about speeding up OMB hearings you got support on a number of areas that were not in the bill when the bill came in. I don't want to get into specifics on it, I don't recall all of them, but I recall that occurring on a number of occasions.

But getting back to the Ontario Municipal Board, as you know, I introduced a resolution in the House earlier this year which was adopted unanimously by all sides of the House which indicated that the Ontario Municipal Board—which I understand is not under your jurisdiction—should have a date set within 90 days, and that they should render a decision within 30 days after the termination of that hearing. There was support, as I indicated, from all sides of the House.

When I originally tabled the resolution last July, I notified all the municipalities, all 835 of them, and without requesting them I got back about 100 letters. The large majority of those letters, about 97 out of 100, supported my resolution, which was also supported by the Association of Municipalities of Ontario, that there should be expeditious hearings by the Ontario Municipal Board.

I have asked the Premier (Mr. Davis) the reason in a question in the House. The Premier says: "If you want a fast hearing you can get one. You get in touch with the Ontario Municipal Board and you ask permission for that."

I agree you can do that. I don't think the system should work that way, because the little guy down the road may not want to get in touch with his MPP to have an expeditious hearing. Or he may not have a high-priced lawyer to get that fast hearing. I don't think a system should work in a way that the people can only get fast hearings if they go through special channels to get them.

The fact is it takes a long, long time to get those hearings. Now, you may be right, and you obviously are, that the hearings are now being speeded up, not because there is a greater efficiency at the Ontario Municipal Board, but because there are fewer hearings. There is not as much building going on now as there was five years ago, and that is the reason things have been speeded up.

I know, for instance, that at the Ontario Municipal Board level there may be people writing their decisions, but it takes a month or so to type those decisions up. That is the real inefficiency at that level. And that is a fact.

So when we are talking about expediting these things, I recognize it is not in your jurisdiction, but there is a problem there and it has not really been addressed.

There is no reason why people have to wait for months and months to actually have a date established. It sometimes takes six and eight months, Mr. Minister—and you cannot deny that—to actually have a date established. There is no reason why a date cannot be established within a couple of weeks.

Mr. Chairman: Yes, I would like an answer to that too.

Hon. Mr. Bennett: I wish I could give an answer to all of those questions. I can only say it is simple to sit back in complete isolation to the situation and say we will establish dates. One of the things you and I know, Mr. Epp, is that the hearings have gone from what used to be days for a hearing—three, four or five days—to five, six, eight, 10, 12, 14, 20, 50, 60, 70, 80 weeks for a hearing.

In some fairness to the Ontario Municipal Board, one or two of the problems they sometimes have is, first of all, getting sufficient information filed with them to determine the course that should be taken on a given hearing. And that comes from the province, from the municipalities and from the applicant, if the applicant happens to be other than the municipality.

Second is the period of time a hearing is going to take. In some cases I have people write to me and we give them a date—I shouldn't say we give them a date; we will write to the Municipal Board and say: "There is someone wanting a hearing. Can you advise us when a date might be forthcoming?" They will advise the applicant, likely before they advise us in return, the date of the hearing and then, all of a sudden, we get to that date.

I am thinking of one case in my home community of Ottawa. It went for months and months and months, everyone pressing for a date. They established the date of December 1 and, all of a sudden, one of the individuals who had pressed for the hearing stood up in the last week of November and said, "We cannot be there on December 1."

After eight or nine months or more of people wanting a date, they came forward and said their principal witness would not be available until April. Suddenly, as you can appreciate, they get themselves into a hearing. One lawyer threatens court action—whatever "English justice" happens to mean, that was the terminology he used—and now they have a date set some time in April.

As you can appreciate, the OMB get themselves into a fair amount of confusion, because they had everything geared to go up to Ottawa with these hearing officers and whatever backup staff and, boom, the thing falls apart. So now

they try to reassign their personnel as quickly as possible. When they do it, someone is not ready to go in the other case either.

I am not trying to make excuses for the OMB, Mr. Stewart and the others who are in charge of it and who respond under the Attorney General's estimates, but our peripheral experience with them is that they try to facilitate hearings, but they don't always receive the degree of co-operation they might to speed up the situation.

If he can write the report 30 days afterwards, fine, but I think you will admit the hearing officer, if he is like most people, writes a report and then will sit and review the draft report and likely have several amendments to it, or changes—

Mr. Chairman: I am going to interrupt, Mr. Minister and Mr. Epp, if I may take the liberty. I think it is a good line of questioning. We are not being critical of the minister or the OMB in terms of the job they do, but I too find the time and delay in just getting a hearing date very frustrating in servicing the people of Ontario.

I mean if more staff are required, we have to appoint more members to the OMB. I know we have budgetary restraints, but on the other hand I think it has gone to a point of ridiculousness too. When you have to have a hearing date and have been waiting five or six months for a small zoning change in a piece of property and someone has borrowed the money and is carrying the interest rates and whatnot, it is all costing money.

If we can help facilitate that, just be careful who you appoint, we don't want to upset Ed Ziemba. But I think it is a good line of questioning.

Mr. Epp: I think that there are very capable people on the Ontario Municipal Board, but let me give you an example of the problems they cause and some of what I would call the shady practices that result from the Ontario Municipal Board being so slow in responding to the needs.

10:40 a.m.

I agree with the chairman that the OMB should hire additional people. You can always be eight months behind in your correspondence or you can try to act on it fairly quickly. That is the position we are in. We are not talking about some of the exceptional cases where there is some kind of delay and where it is not the Ontario Municipal Board's fault or the ministry's fault. I am not talking about that.

There is one example I know: A zoning was requested. Things were going fairly smoothly but one person decided to object to the zoning change. What happened was that the corporation then went along and gave him several thousand dollars to withdraw his objection to the zoning change, the reason being they thought

it was much easier than waiting for six months to have a date established for an Ontario Municipal Board hearing, have that hearing and then—whatever.

If, on the other hand, they could have been assured that they were going to have a fast hearing and have a fast decision rendered, they would not have had to go and give out thousands of dollars to pay this fellow off so he would not object.

That is the kind of thing that is going on. And that is just one small experience I am aware of. I am sure that that is not an isolated factor.

Mind you, if you have hundreds of people objecting, you cannot do that. But when you have two or three people, you can go and give them several thousand dollars each and you say, "Look, aside from the delay involved, that's equal to the legal costs I am going to have," and it is much easier that way.

That is one of the problems that occur as a result of the delay. I am sure the ministry is aware of it.

Hon. Mr. Bennett: Very much.

Mr. McEwen: I think from experience that many of the OMB hearings are caused by many unnecessary objections by the planning branch. This brings to mind—

Mr. Chairman: The ministry planning branch or the municipal?

Mr. McEwen: The ministry planning branch.

Mr. Chairman: Those guys over there.

Mr. McEwen: Oh, I imagine they are there; that's fine, I wanted them to hear it anyway.

Mr. Chairman: I know, I am pointing them out. I don't like them all the time either.

Mr. McEwen: I hadn't intended to speak about this. If you will give me the opportunity, Mr. Chairman, I will continue. I hadn't intended to speak about this, but this was personal.

I have only made application for two severances in my life. They were two severances on a commercial property. I was denied and it was referred to the OMB. I could see, because I was involved, I was not going to get consideration except at the cost of considerable time and expense, so I sold the property to a friend. He, in turn, made application for the two severances and received them. A year later I was notified by the OMB that the planning branch was going to have a hearing on my application for the two severances.

This is a fact. The planning branch unnecessarily objected to the severances in the beginning and asked for an OMB hearing.

Mr. Chairman: Was this while you were a member?

Mr. McEwen: No.

Mr. Chairman: A councillor?

Mr. McEwen: I was reeve of the municipality.

That is why I am saying there are unnecessary objections by the planning branch of the Ministry of Housing. You were not the minister then, Mr. Minister.

Hon. Mr. Bennett: No, but I suppose there is no area that is more stormy to contend with on an individual-member basis than severances—none. Because it does not make a tinker's damn whether the minister approves or turns down; he's in trouble.

It is a situation where if you could stand still, you would be doing extremely well. But Earl McEwen or Herb Epp or Lorne Henderson or Jimmy Snow—I can go on and mention several others from both sides of the House—would come to you and they would say, "On that severance, it would be well if you could find some way, Mr. Minister, to entertain the idea," and so on.

Mr. McEwen: I didn't have anyone to go to at that time. McKeough and Irvine were objecting personally to anything our municipality did, and I might come back, Mr. Minister, and reiterate, it was unnecessary objection.

Hon. Mr. Bennett: I would like to think we rationalized a little more than that in saying it was an objection without meaning, because I think planning people operate on behalf of what is the common best interest of the people of Ontario generally, and they also try to see what the long-term situation is.

I will say at times, individually, we can be blinded by the short-term solution, but the long-term implications really do not give a tinker's darn because they will be handled by someone else some day down the road. I suppose that is the purpose of having an outside view.

You know, Mr. McEwen, as I do, there is a great deal of friction even at the local level in regard to committees of adjustment, committees of severance and so on. Farmer Brown does something that Farmer Smith wants and the next thing there is a hell of a battle on and the fellow they figure should become the arbitrator is the minister. I really did not understand that to be my job when I first became the Minister of Housing.

Mr. Epp: Get Farmer Bennett involved and then they are really in trouble.

Hon. Mr. Bennett: They would really have trouble, I can assure you, I do not know how to turn a furrow.

Just to go on, unless there is something further on the Ontario Municipal Board, I do not turn down the remarks and the views of the members on the OMB in trying to speed up the process. As you know, we have appointed several new members to the Ontario Municipal Board and I suppose, whether they are planners or legal minded people, if you talk to any of them, it does take a period of time until they find themselves in the position where they can go to a hearing and try to be fair and equitable to both sides in that hearing. I am told that it can be anywhere up to two years before they feel themselves comfortable.

What are we up to now, 26 or 30 members on the Ontario Municipal Board? I remember when I was back on the municipal council we had 10. Of course, then we had hearings that only lasted two and three days; they thought a three-day hearing was an extremely long period. Now we go into periods of better than a year.

We did talk about housing requirements and I wanted to say there are some 125 municipalities that prepared municipal housing statements which helped to provide a picture of the housing market at the local level. In addition, municipalities are asked to provide annual housing reviews which are designed to monitor the housing needs on a rather regular and consistent basis.

Both Mr. McEwen and I went into some detail on the government's land activities on Wednesday last, so I do not think there is much reason for dealing with it to any great extent today, but I would emphasize it is not the gloomy portrait painted by the honourable member. He seemed to overlook the \$430 million in land sales made by the province over the past 10 years on behalf of the people of Ontario and he fails to mention the many thousands of families—and I did mention that in my opening remarks—who became home owners due to our land program. He also failed to state the fact the acreage we presently have is, to a very large extent, in agricultural use and in increased agricultural production over what it was at the time we acquired it as the government.

Mr. McEwen: I think I did mention that it still remained in agricultural hands, but the income is not sufficient to carry the carrying charges or taxes.

Hon. Mr. Bennett: The lease arrangement is one of the other areas for which we sometimes are criticized by people in the private sector because our annual lease rate per acre is less

than in the private sector. The economics, the return on the production per acre, is something determined by the farmer. He usually is into a five-year term with terms or options for renewals of five-year terms thereafter, so it gives him some degree of security and certainty as far as investment in fertilizer for crop production and things of that nature are concerned.

For an example, when we took over the Pickering property we had something in the range of 8,000 acres in agricultural production. Today we have just about doubled that figure in agricultural production; lands that had been left without any actual food value have now been put out on lease to junior farmers, and indeed to senior farmers, for better use.

In fairness, the dollar value in lease return may not be that substantial to the government, but I think the increased food production from them and the opportunity for junior farmers is certainly worth noting.

Mr. McEwen: Are you saying then, Mr. Minister, you possibly have the intention of turning this fine agricultural land, this prime farm land, back to farm operation?

10:50 a.m.

Hon. Mr. Bennett: I think if you go back and read our plans you will see that land was never intended to go out of agricultural production, it was long-term agricultural use.

Mr. McEwen: All of it?

Hon. Mr. Bennett: Obviously not all of it; a certain portion of it was going to be put into development some day. When that day comes, economics will dictate.

Mr. McEwen: Then what really was the advantage of the purchase, in putting out the province's funds and the costly venture costing more money day by day, when it is not going to accomplish anything other than what originally was operating?

Hon. Mr. Bennett: That is right. I suppose what was originally intended—if we take the Pickering land for an example—was the anticipation by long-term discussion between the then Treasurer and Minister of Intergovernmental Affairs, Mr. McKeough, and the then minister from the federal government, the fellow from Vancouver, of building an airport, if you will recall, in the Pickering area, an international airport.

For obvious reasons, the provincial government got into it to try to develop a community that would be compatible, both from a commercial industrial and residential point of view, in relationship to that airport, so it could be planned properly and the land uses would not

infringe on the peace and quiet of the neighbourhood, and the airport could have the opportunity of expanding and developing if it was to be built.

Indeed, we bought some 25,000 acres, the federal government acquired some 27,000 acres, or in that range, and for reasons best known to the federal government, and so on, that airport has not been proceeded with. I am not one who predicts what the future holds in that respect.

The fact is the community of Seaton—I have said in the Legislature and I repeat here again—is on a back burner and if economics and needs come about in the next number of years to warrant the further development of that area, it will take place.

The major portions of those lands that are held in the name of the crown by the Ontario Land Corporation are for long, long-term agricultural production, long after you and I will be around here or maybe even on the face of this planet known as the world.

Mr. McEwen: Would you not really like to say, Mr. Minister, you are not in favour of this purchase; that you would shed yourself of the ownership if you were allowed?

Hon. Mr. Bennett: No, I could not make a blanket statement like that. I have expressed the view that certain pieces of land—and I will not back away from it, even as the minister reporting for the Ontario Land Corporation—I made some observations back six or seven years ago and you in the opposition have found it interesting to quote me. It is nice to be quoted in a correct way; someone in government did predict what was going to be the ultimate situation.

I have had two situations I can think of in land, where, if I were being asked personally to invest in it, I can assure you my money would be in the bank still. The fact is that decisions are made by government and those decisions are acted upon.

Mr. McEwen: May I ask you this? When a decision is made by cabinet, can you divulge how many are in attendance when that decision is made?

Hon. Mr. Bennett: No, that is cabinet solidarity.

Mr. McEwen: I remember in February of 1975 when the Edwardsburgh dream or swampland was being purchased, I do not think you were informed prior to that.

Hon. Mr. Bennett: That was not in February; I would have to beg to differ with you.

Mr. McEwen: There were four members involved. It was always my opinion that if the cabinet made decisions, it would be the whole

cabinet, but it leaves me with the thought there may be decisions made by one, two or three people.

Hon. Mr. Bennett: I am sure cabinet is no different from the caucus of the Liberal Party; you do not have 100 per cent attendance every time you meet to decide on how you are going to try to defeat the government.

Mr. Epp: We always do.

Hon. Mr. Bennett: You might agree with it mentally, but you are not 100 per cent physically in attendance.

Mr. Chairman: Albert Roy is one who would be here all the time, that is for sure.

Hon. Mr. Bennett: I am not one who believes, because government happens to have a great deal of land today, we should just go out on a fire sale to get rid of it.

First of all, if the fire sale takes place, something tells me there is not a ready market for it. In other words, you are out there because the market is soft and you are now disposing of it at some drastic reduction to the people of Ontario.

If land banking is to take place for long-term opportunities, so be it. The government banks land not only for development but for a lot of other things besides. In building highways we bank land. Provincial parks could be considered by some as a land bank, though I don't think I would consider them as such.

The conservation authorities buy up great tracts of land, and some people could question this practice. "Here is another case where government has acquired land and the taxpayers of Ontario have paid for it." I trust that the sellers have found other investments for that money which continue to make the economy of the province buoyant.

I would come back, if there are no further questions on that one, to Townsend, because I think, in fairness to Mr. McEwen, to say "Townsend" is just to say a name. One has to look at what has taken place over the last number of months in regard to the roads and the other services which are already in place and the new homes that are under construction.

I mentioned to you last Wednesday that the first family, a Stelco worker with two children, has moved into Townsend, and 14 other homes have been sold in Townsend. Two or three more families will move in before the end of this month. I think Townsend gives us a clear indication there will be a great deal of interest for people in that area, both in looking and in buying.

I would not want to say that waving a wand will make it, overnight, a magic community. But

because of the cost of energy and travel, travelling time and so on; the fact that Stelco has bought some 6,000 acres and developed 3,000 and is going to develop a 3,000-acre industrial park adjacent to the steel mill, which is the finest steel rolling mill anywhere in North America; and that McColl-Frontenac and Ontario Hydro are there, I think there are good opportunities for employment in that area. And if that comes about, so will the requirement for residential use.

I have great feelings that Townsend, despite the pessimistic views of it, will come about and be a very favourable community. If we look at it, there are some positive spinoffs in a lot of areas. While the sewer service is in the initial stages and is only being developed for 5,000 on a settling pond or lagoon system, it eventually will go into a full sewer system approved by the Ministry of the Environment.

An important plus is the fact that the water service, which has been a tremendous front-end cost for the people of Ontario, serves Stelco and Townsend. It will serve Port Dover and several of the other communities. I think everyone is aware that without someone putting in some heavy funding money, those communities would not get into a filtered water program and could very well have had some serious problems.

Townsend, I think, is coming along and will develop. We will keep you posted on the sales record, and so on, in new housing construction. I understand further permits are now being sought for houses to be built in the community.

As noted earlier, Mr. McEwen correctly identified some of the factors contributing to the slowdown of housing construction in Ontario, and Metro Toronto in particular. One factor not mentioned was the necessity to reduce the large, unsold inventories that have plagued this industry over the past 18 months. I share Mr. McEwen's concerns about the negative effect on the industry resulting from the slowdown in housing construction.

We have been working closely with the industry and with municipalities in the development of energy conservation, renovation and renewal techniques, which we hope will take up a great deal of the manpower that has become surplus in this particular field. We intend to make better use of existing housing stock and the energy resources of Ontario.

A major element in the overall slowdown in housing construction is the decline in the private sector activity in the rental market. I think I have covered this on more than one occasion. This is due primarily to the extremely high interest rates, which have had the effect of increasing the break-even point of rents versus

the costs of construction. There is a very significant difference and it is increasing daily. I am sure I do not have to remind this committee that neither we in the provincial government, nor those bodies in the world of financing that are here under provincial licence, control interest rates, either in this country or across this continent.

Despite the high level of interest rates, however, we have a booming market in the resale of housing, particularly in the Metro area. Just over a week ago—last Wednesday to be exact—the Toronto Real Estate Board reported sales at a record level in the first 11 months of this year, surpassing the previous 12 months of sales in this metropolitan area.

The board president said recently he expected the demand to continue. I quote him: "The market has so much momentum that it is unlikely to slow down quickly, even with the relatively high interest rates."

11 a.m.

During his discussion on Wednesday, Mr. McEwen referred to a Metro Toronto study which estimated that 90,000 families, seniors and individuals, cannot afford to house themselves adequately. Members who sat on the justice committee this summer will recall that this figure was also pointed out at the hearings, but I would like to make it clear that this figure was not correct. It is an inaccurate figure.

Using the criteria in the Metro study, those who have affordability requirements are actually one third of the 90,000 quoted in the study. I understand that the Metro staff have now agreed with the point of view raised by my ministry people in discussions with them. But let me hasten to say, even at that level, it is a matter of concern to this government and governments at the municipal level.

That concludes, for the most part, the points raised by Mr. McEwen. Do you wish me to go into answering some of the points raised by Mr. Swart at this time, or do you wish to—

Mr. Chairman: I think the agreement was that we would share the remaining time between the opposition parties. There is about 10 minutes left for any further questions the Liberal members may have.

Mr. Epp: I have some if Mr. McEwen doesn't.

Mr. Chairman: In fairness, Mr. Epp, we will then go on until 11:15, at which time we will allow the minister to respond to the NDP critic and finish off the estimates.

At this time I will leave the chair. I will ask Mr. Mitchell, our new member, to take the chair

for a few minutes while I am off to plant closures, since you have some questions, Mr. Epp.

Mr. Epp: That is fair enough.

Mr. Minister, you have indicated in past references in the House that you are thinking of phasing out the Housing ministry, that there are more important things to do. I am wondering what your current thinking is on that. If you had your way, what would you do with the Housing ministry?

Hon. Mr. Bennett: Mr. Epp, I have, on more than one occasion, said that if we were trying to reduce the number of ministries in government, and that is always in discussion, there are ways that the Ministry of Housing, as we know it, could be handled. But it was never my intention, neither have I ever implied it, to reduce government's responsibility in the various aspects of the ministry in the field of providing suitable housing for low and middle income people, through whatever type of program, or in the field of planning, the land corporation or the mortgage corporation.

I have said, yes, that I thought the field of planning, for example, had a more direct municipal relationship than through Housing, that it could very well have been incorporated within the Ministry of Intergovernmental Affairs, or whatever ministry name it might take.

One offers these suggestions publicly. Some people agree and some do not. I get the feeling at times in talking with the general public that if all the responsibilities at the municipal level were housed under one particular ministry, it might make life just a little simpler or easier for them. I have on more than one occasion, as I have already said, responded that I thought some of these things could be accomplished, and I suppose they still could be, but I have no immediate solution or suggestion that it is going to happen.

There are other ways that housing could be delivered to the public. It would not necessarily have to be under the Ministry of Housing. I only make one other observation, which I think is shared by others, and not only in Ontario. People sometimes look at the word "housing" as meaning more than just housing. Sometimes they feel a Minister of Housing is going to resolve all their problems. Housing sometimes takes on a higher profile than it should perhaps. While housing is one of our responsibilities, I think good planning is another major issue, even if it doesn't have as high a profile in the ministry.

Obviously our ministry functions very effectively. We have been going through a number of changes in the ministry to try to

streamline it, to make it more responsive and responsible to the people of Ontario and to the municipalities, some of whose suggestions we have tried to incorporate.

It is interesting too that outside the provincial government, away from Queen's Park, there are those who have suggested that maybe renaming the ministry would make it more identifiable with some of the current situations of the municipalities and others. Things like that are always under consideration as well.

Mr. Epp: By the cabinet?

Hon. Mr. Bennett: By the minister. In turn, I suppose, the minister makes his position fairly clear to cabinet. I would not want to say I have, in the last 30 days, submitted anything of that nature, but there is an ongoing discussion on that, Mr. Epp.

Mr. Epp: A good political answer.

Hon. Mr. Bennett: When it comes to reality, you can go back and look at what you asked me and wonder why you asked me.

Mr. Epp: I was just wondering how far along we were with some changes being initiated.

Hon. Mr. Bennett: At this point, outside of moving housing authorities out of the direct operation of the Housing ministry—

Mr. Epp: That has been a long-standing policy?

Hon. Mr. Bennett: That has been an objective we have been working towards and trying to succeed in doing. We now have pretty well all parts of the province, including my own Ottawa-Carleton area, under a regional or local housing authority. I shouldn't use the word "region" because it does not cover the whole region. They are area housing authorities. The response has been, I think, rather pleasing. It has been very favourable.

If I could take just a minute, I should answer your member for St. George (Mrs. Campbell) who asked the other day about the Metropolitan Toronto Housing Authority. We can all recognize the fact you do not go about setting up boards and commissions without some cost being incurred. If you could set up a branch out in Kitchener, Waterloo, London or Ottawa without any cost, it would be an amazing achievement.

I did say to Mrs. Campbell last Friday that I would provide some information to the estimates committee dealing with the cost related to the establishment of the Metropolitan Toronto Housing Authority, and looking at the basic setup costs, I believe that I have the figures correctly that Mrs. Campbell referred to. They are estimated to amount to \$337,000. These figures are broken down in this way.

First of all, we took over new premises—not newly built, but new to the authority. Installation of offices, telephones and other facilities, separate from OHC's head office—which I understand is what we were attempting to do, so the flavour of OHC or the feeling that OHC was still the continuing agency would not be present—cost a total of \$290,000.

The transfer of furniture and equipment from the present OHC office to this new facility amounted to about \$10,000. Equipment and machinery associated with the staff, transferring staff from within the ministry—because some people work part time, with half their time spent in doing some things for OHC and half for the ministry—and the appointments of the housing authorities, the chairmen and its members, which is a total of 13, totalled \$37,000. This amounts to \$337,000, which is a nonrecurring cost for the fiscal year 1980-81.

11:10 a.m.

There are annual costs for 1981-82 which will be a recurring factor. Obviously if we take the staff away from the Ministry of Housing and from OHC and put them there, it reduces some portion of our costs within the ministry, but incurs it as an authority expense. These are estimated at roughly \$533,000 over and above what it would have cost to continue the portfolio.

It breaks down: There is transportation and communication, including the reimbursement of the chairman and the members of that particular authority for out-of-pocket expenses and other expenses, which are estimated at roughly \$70,000; services, including net office space rental, telephones and so on, is about \$318,000; supplies and equipment is about \$75,000; and additional staff, which is legal staff and so on who were seconded to the authority, because we used to use the Attorney General's legal people, amounts to about \$90,000.

But on the other hand, we have to look at the fact that there are some reducing costs within OHC itself as a result of the transferring out of this particular group.

There are some administrative costs, obviously, in the transferring function, but they are not that significant. We think overall that the decentralization of housing to the local municipality, with its appointments, our appointments and the federal government appointments, is well received and is likely going in the direction that most of us have suggested it should.

Mr. Epp: Mr. Chairman, I noticed you are looking at the clock and I just have a few minutes. I would like to ask the minister, if I may—I know he is for local autonomy and so forth—why he does not permit the local authorities to appoint their own chairmen.

Hon. Mr. Bennett: First of all, the housing authorities report to the minister. They do not report to a local body. All of their funding is derived from the provincial government, even if we are only the custodians of the 50 per cent of it which comes from the federal government.

The obligation under the agreement with the federal government is we will manage, administer and do the accounting for those authorities. Thus obviously those authorities are going to be functioning on behalf of OHC, in putting in place the policies of the OHC; indeed, the policies that will try to cope with local situations are in place, and I think it is imperative that the chairmen be reporting to the minister, or through OHC to the minister.

Mr. Epp: I am not arguing the fact that they are responsible to the ministry and they should report, but that still does not prevent you from permitting the local authorities to select their own chairmen. I am sure that the loyalty would be as great to you if they were selected by the authority as they are now. Would you not argue that?

Hon. Mr. Bennett: I suppose you could argue it either way, but I argue that the situation is if the authority is going to report to me, then the individuals reporting to me would be appointed by me, through order in council—pardon me, I should not be so “I” at first and centre. It is the cabinet.

Mr. Epp: I presume then that you have no intention of changing that particular system, the way the minister appoints the chairmen.

Hon. Mr. Bennett: That is correct.

Mr. McEwen: Could I ask one brief question? I know I had my turn and I thank you very much for it.

I questioned the appointment of the chairman by you, Mr. Minister. Is it not true that most of those appointed have been active members of the Conservative Party, or have been active in elections for Conservative members? Why is it different with your ministry than it is with the Ministry of Health or others, where provincial appointees sit on the boards, but the chairman is selected from among those appointed by the ministry, by the county, by the municipalities?

Hon. Mr. Bennett: First of all, let me make it very clear that all of the members of a housing authority are appointed by order in council of this government. The federal government nominates—and I want to underline the word nominates—to the minister X, Y, Z people to fill those seats assigned as a federal responsibility.

Mr. McEwen: But you approve it. You can veto it.

Hon. Mr. Bennett: That is correct. That has only happened once in all the years of the existence of OHC and the housing authorities.

Secondly, the municipality appoints, and thirdly the province appoints. The province has always held the right to appoint the chairman, either from within the board, or a new member, if that is their choice.

Frankly, whether they are PCs or not, Mr. McEwen, I would hope that some of them would certainly have the wisdom of voting Conservative in their past and in their future, and their understanding. Obviously some of those that come in from federal nominations I have to tell you are—

The Acting Chairman (Mr. Mitchell): Mr. Minister, if I may, we did set some ground rules at the beginning, and I must interrupt. I believe the procedure that was accepted was you had some responses to make to Mr. Swart.

Hon. Mr. Bennett: Yes, during last Wednesday's discussion, Mr. Chairman, Mr. Swart posed a series of questions relating to the proposed Epping Commons development in the Beaver Valley. Before responding to those questions I think it is worth while briefly to review matters leading up to my referring the matter on October 21 to the Ontario Municipal Board.

The proposed development would consist of 46 single-family units, detached condominium units, a 40- to 50-room inn, and related recreational facilities on a 305-acre site below the escarpment in the Beaver Valley. Most of the site is open pastureland, but the escarpment portion—about 63 acres—would be retained in a natural state. Now the Niagara Escarpment Commission refused a development permit for the proposal on the grounds it was premature, pending completion of the Niagara Escarpment master plan and that it did not comply with the policies of the escarpment designation as set out in the Beaver Valley official plan.

Cambray Investments Limited, the Beaver Valley Planning Board and the township appealed the decision. The escarpment legislation requires that a hearing officer provide the Minister of Housing with an opinion on the merits of such a decision. Subsequently I received a report from the hearing officer, Mr. Duncanson, which upheld the NEC decision, and recommended that I reject the appeal.

Then on August 20, 1980, I denied the appeal with the proviso that my decision was without prejudice to the consideration of an application which had been made under the Planning Act to amend the Beaver Valley official plan. On June 24, 1980, the Beaver Valley Planning Board formally recommended amendment 33 to the

township council, who adopted it on July 4. Then on July 7, Collingwood township, the designated township for the Beaver Valley planning area, adopted the amendment.

I think, Mr. Chairman, you can see that the proposed development has a fair amount of local support including, according to the Globe and Mail, the endorsement of Bob McKessock, the local Liberal MPP. Mr. McKessock and I, with my ministry people, have had some discussions in the past I understand on this subject.

The proposed amendment went through the official plan amendment process within the ministry, and on Thursday, October 16, the director of community planning reviewed the item—and he was the director who was responsible for the central and southwestern region—prepared a memo to me in which he described the purpose of the proposed amendment.

He also noted that the Coalition on the Niagara Escarpment and other individuals interested in the protection of the escarpment had requested referral of the proposed amendment. The director's memo concluded by recommending referral of the proposed amendment 33 to the Ontario Municipal Board for a hearing. Attached to his memo was the referral letter for my signature.

11:20 a.m.

Mr. Swart asked me in the Legislature on October 20 about the proposed official plan amendment, and I replied that, to the best of my knowledge, it had not appeared on my desk. As I said last Wednesday, Mr. Chairman, that was a very straightforward, truthful answer.

I later checked with my office and, upon learning of the number of requests for referral, the letter was signed and sent on its way to the Ontario Municipal Board. I reported that action to the House the following day, October 21. That is where the matter stands at this time.

Last Wednesday, in this very committee, Mr. Swart made much of the fact that Milt Farrow, who, as most of you know, is the executive director of the plans administration division of the Ministry of Housing, had met with the Beaver Valley Planning Board in April of this year and had discussed the possibility of an official plan amendment as a means of obtaining approval for the proposed development.

In fact, Mr. Swart accused ministry staff of being part and parcel of developing an official plan amendment technique as an end-run around the NEC decision. I rejected that contention last Wednesday, and I reject it again today.

The planning board wrote to me in February endorsing the development. Mr. Farrow replied

on my behalf in March, and the following month met informally with members of the Beaver Valley Planning Board. In our discussions with the local officials, we were actually taking a position contrary to the one expressed by the municipality which, at the NEC hearing, contended the proposal conformed to the official plan.

At the meeting with the Beaver Valley Planning Board, Mr. Farrow advised them there would be no possibility that the development could be approved without an amendment to the official plan. Mr. Chairman, I would remind committee members that one of the reasons for the NEC rejection of the Epping Commons proposal was the fact that it did not conform to the Beaver Valley official plan.

Then the local planning board sought Mr. Farrow's advice and he provided it. Later, Mr. Ross Arthur, Grey county planning director, reporting his recollection of the discussion to the May 5 meeting of the council, said there was no guarantee the proposal would be approved with an amendment, but the indication was the minister would look more favourably on the proposal "because of the implied 'no'" — and I quote that — without the amendment.

Mr. Chairman, I want to make it most clear and emphatic. There was no implied no. As I noted earlier, Mr. Farrow indicated to the Beaver Valley Planning Board the development could not hope to proceed while it was in conflict with the official plan, and that an amendment was and would be required. It is a minor point from Mr. Swart's remarks of last week, but I emphasize that Mr. Farrow has never visited the Epping Commons site. Mr. Farrow has never visited that site. However, others on our staff in the ministry have.

Turning now to Mr. Swart's questions. He asked if there were other matters relating to the Niagara Escarpment my ministry had referred to the OMB since the NEC draft plan had been produced. Since the draft plan's release and the comments of the hearings last spring, there have been referrals relating to the official plan for the regional municipality of Hamilton-Wentworth, and a major referral concerning the regional municipality of Halton. And I expect the Ontario Municipal Board will hear all these matters before the NEC plan is finalized.

Mr. Swart asked whether I would table the referral letters in question and I want to table those with you, Mr. Chairman, at this point. Mr. Swart's remarks have tended to attribute to me and my ministry an indifference to the necessity for supporting the Niagara Escarpment Commission. I would like to draw to his attention that the Halton referral is now before the courts.

I want to make it very clear that we are now before the courts because in the opinion of some major landholders, including aggregate producers, we did not refer enough of the lands to the Ontario Municipal Board for a decision. They are seeking an OMB examination of a much wider range of land uses which are in conflict with the NEC draft plan than we were prepared to refer to them for review.

Mr. Swart also asked whether I consulted with the Provincial Secretary for Resources Development (Mr. Brunelle) before referring the Epping Commons matter to the Ontario Municipal Board. The answer is no. I did not specifically consult him on this matter or on any of the other referrals I mentioned earlier today.

However, my ministry did circulate seven other agencies, including three in the resources development field, the ministries of Agriculture and Food, Environment and Natural Resources, as well as the Niagara Escarpment Commission, the North Grey Conservation Authority, Grey-Owen Sound health unit and the Grey-Owen Sound Planning Board.

Mr. Swart asked whether the Minister of Natural Resources (Mr. Auld) and the Minister of the Environment (Mr. Parrott) commented on the proposed amendment to the Beaver Valley official plan. They did. I herewith table copies of their responses to us.

I am sure we are all aware of the fact that the final escarpment plan may be years off, due to the process required under the escarpment legislation, and there may be many other requests for referral to the Ontario Municipal Board. It is not, and never has been, this government's policy that all development proposals should await the completion of the NEC plan.

In conclusion it should be noted here, if it is not already clear to all, that I as minister have not made a decision on the proposed amendment to the Beaver Valley official plan. I have, as requested by a number of letters received in my ministry, simply transferred from myself to the Ontario Municipal Board the authority to make a decision.

Natural justice and the Planning Act require that the various opponents and proponents have the equal opportunity for a full hearing on the proposed official plan amendment. We deal at arm's length with the Ontario Municipal Board, and whether the board approves, rejects or modifies the amendment is a decision that will be made by that very board and its hearing officers.

Mr. Chairman, I intend to forward a transcript of this Hansard to the Ontario Municipal Board so that they are very much aware of my ministry's and my position on this particular matter. If

there are further questions in relation to this or other items in the ministry, I hope that we will deal with them in the next period of time.

Mr. Swart: Thank you Mr. Minister. I want to compliment you for your commitment to refer your remarks to the Ontario Municipal Board. I presume those were the remarks made in this committee a week ago. Is my understanding correct?

Hon. Mr. Bennett: That is correct. I am sure the municipal board reads them anyway, but we will make sure they have them.

Mr. Swart: I am not sure that they do, but in any event, Mr. Chairman, I want to deal at some further length with this issue, as the minister may have assumed from my comments today, and pose some further questions.

I don't disagree with the history he gives of the development there generally, although he neglected to mention that all the land in this development is either in the natural area or the escarpment protection area of the Niagara Escarpment. It is pasture land, but it is in the protection area, which makes it a very special area.

I had asked—and perhaps I missed this, Mr. Minister; you may have stated that you would or had done so—that you table the letter from Mr. Farrow to the Beaver Valley planning board of March 18, and I now ask if you would table the letter from the Beaver Valley planning authority to you, or to Mr. Farrow, which you said came in in February.

You did not table the one of March 18 that I had asked for, did you?

11:30 a.m.

Hon. Mr. Bennett: I don't have one of March 18, but I have one of March 6. Let me say that we received a letter, addressed to Claude P. Bennett, Minister of Housing, dated February 8, 1980, and received in my ministry on February 15. It reads:

"Dear Sir:

"Re the Niagara Escarpment, file number GRC 79222, part of lots 12, 13 and 14, Concession 5, Township of Euphrasia, County of Grey.

"It is the understanding of the Beaver Valley Planning Board that this proposed development, known as Epping Commons, is under review by your office pending a final decision.

"Such being the case, this planning board by the following motion continues its support of the proposed plan.

"Moved by Mr. H. Woodhouse, Reeve, Euphrasia Township

"Seconded by Mr. M. Saunders, Deputy Reeve, Euphrasia Township

"That this planning board send a letter to the

Minister of Housing in support of the Epping Commons development. (Part of lots 12, 13, and 14, Concession 5, Township of Euphrasia).

"Carried.

"(signed) D. J. McNichol, chairman.

That was signed by the secretary-treasurer of the Beaver Valley Planning Board.

This letter was replied to on March 6 by a letter from Mr. Farrow, addressed to the secretary-treasurer of the Beaver Valley Planning Board, reading as follows:

"The minister has asked me to reply to your February 8 letter.

"Ministry staff are currently reviewing the Epping Commons development. From our preliminary evaluation, there appears to be some question as to whether or not the proposal conforms to the Beaver Valley official plan. I would appreciate receiving planning board's views on this matter of conformity with the official plan. If you feel it is useful, we could arrange a meeting to discuss this matter further.

"Yours truly,

"G. M. Farrow, Executive Director."

Mr. Swart: Thank you for reading those into the record. I would point out that the first was a letter from the Beaver Valley planning authority, which was in fact wanting to inform you that they hoped you would deal favourably with the development, with the appeal that was before you. It did not refer to any amendment at that time to any official plan. That would be correct.

Hon. Mr. Bennett: Are you referring to this letter?

Mr. Swart: I am referring to the one which you received in February. It does not refer to any official plan amendment. It refers to the matter which was before you at that time, which was the question of whether you upheld the appeal. I trust you would agree with that interpretation.

The reply from Mr. Farrow states that there is some question whether it is in conformity with the official plan, and opens the issue of the official plan.

I don't know what took place at the discussion afterwards, but I suggest that this bears out my contention in our exchange the other night, that the initial reference to the official plan may very well have come from your ministry.

Hon. Mr. Bennett: If you recall the hearing officer's report, Mr. Swart, he made particular comments on that very issue.

Mr. Swart: I know he did, but I am saying that that letter which came from the Beaver Valley planning authority and the ministry's reply may be where the initial reference was made. It would be interesting if we had minutes of all of

those meetings that took place, but I presume they were verbal and that no minutes were kept. At least, that was the statement which I believe was made, that no minutes were kept.

However, I want to move on, because after last night's exchange in the resources development committee, this whole issue becomes even more bizarre. But first I want to put clearly on record—I looked them over very quickly and you can correct me if I am wrong—that the other letters, the other matters which you have referred to the Ontario Municipal Board for its decision, the official plans, et cetera, at no place in those letters, as I saw them, did you say that the hearing should proceed before the plan for the Niagara Escarpment had been decided.

At no place in those letters did you make the kind of a statement which is in your letter to the Ontario Municipal Board regarding the Epping Commons development, which reads: "Public hearings on the proposed Niagara Escarpment plan are currently in progress. As it is clear that it will be some time before the plan is finalized, I consider it appropriate that the proposed amendment be dealt with by the board." If that clause is in any of those letters I would like to hear it; otherwise I categorically go on record as saying that there was special consideration given to Epping Commons.

Hon. Mr. Bennett: I don't think there was special consideration given to Epping Commons more than to anyone else, Mr. Chairman.

Mr. Swart: Let me refer to last night, and there will be Hansard records of this—

Hon. Mr. Bennett: Let me say, Mr. Chairman, I am not privy to what went on last night.

Mr. Swart: You will be in a minute. There is a Hansard from it, and you can check what I am going to say now with Hansard.

The Provincial Secretary for Resources Development, upon questioning last night, confirmed what you had said; that there was no discussion with him, neither did he know what was taking place with regard to the Epping Commons development, either during the period of the development permit or during the period of the amendment to the official plan. No discussion took place with him, neither was he aware of what was taking place.

You can check Hansard to see if I am wrong, but this is what he told me.

Here is the minister basically responsible for the Niagara Escarpment and no one discussed with him this proposal, which was contrary to the principles and the objectives of the Niagara Escarpment plan, according to the Niagara Escarpment Commission.

Hon. Mr. Bennett: Just to interrupt for a moment, I think I have already made it very clear in my remarks to you, Mr. Swart, if you were listening, that I had not specifically gone to the Provincial Secretary for Resources Development, but to ministers within the resources policy field.

Mr. Swart: Let me go on. Once again Hansard will prove me correct.

He agreed it was inappropriate that this matter had not been discussed with him and he agreed with the commission's statement that the development was in conflict with the principles and the objectives of the Niagara Escarpment plan. Yet he had no say whatsoever in this whole matter.

I would point out to you that he also agreed that he had not received a copy of your letter of referral to the Ontario Municipal Board, in which you had inserted this special clause to give special consideration to Epping Commons. He stated, categorically, that he had not received this letter. Again he thought that it was inappropriate that he had not received a copy of the letter of referral when the matter was of such importance to the commission.

I will leave that for the moment, but I will come back to it. I want to ask you, Mr. Minister, if your ministry at any time advised the municipality that in your opinion this proposed development was contrary to the principles and objectives of the Niagara Escarpment plan.

Hon. Mr. Bennett: I think I have made it clear that I have not talked directly with anyone in the township or the planning board.

Mr. Swart: I said "your ministry."

Hon. Mr. Bennett: Yes. Mainly, the correspondence and the directions have been with my ministry people.

I think I indicated in my remarks in response to you, and indeed in this other letter I filed, that whether or not we got into the exact thing of the escarpment, I would have to call on Mr. Farrow and others who were at those meetings. I was not. But obviously we indicated clearly that it was not—and I should read that to you again, sir, if you will just give me a second to look it up.

Mr. Swart: I heard it before.

Hon. Mr. Bennett: If you heard it, you didn't understand it then.

Mr. Swart: I understood it.

Hon. Mr. Bennett: I said here, "The Niagara Escarpment Commission refused a development permit for the proposal on the grounds that it was premature, pending completion of the Niagara Escarpment plan, and that it did not

comply with the policy of the escarpment designation as set out in the Beaver Valley official plan."

Mr. Swart: I heard that.

Hon. Mr. Bennett: They were aware of that as we are. Now whether we emphasized that to them, I don't know.

Mr. Swart: That does not answer my question. What I want to know is if you as minister, or your staff on your behalf, advised them that in your opinion it was contrary to the principles and the objectives of the Niagara Escarpment plan.

Hon. Mr. Bennett: Without being specific, because I don't know—I make that very clear, I have said it twice; I can only say I don't know—I would imagine that in the discussions that have gone on in reviewing the hearing officer's decision and the Niagara Escarpment Commission's decision, it was made very clear. Whether Mr. Farrow or anyone else in the ministry specifically said, "This is what the situation is," I am sure there have been discussions. But I was not privy to them. I was not involved in them, so I cannot answer the question on a very specific basis.

11:40 a.m.

Mr. Swart: May I ask you another question, and I ask this at least partly to get information. Is it correct that there is or is about to be a study done generally on the Beaver Valley, a consultants' study or a study done by your ministry, or is it being done at the present time on the future use of the Beaver Valley generally, by the Beaver Valley planning authority?

Hon. Mr. Bennett: I will take that as a question, Mr. Swart.

Mr. Swart: It is my understanding there is and it is in progress. If so, is it not wise—and incidentally, the Niagara Escarpment Commission chairman said last night there was such a study being done.

Hon. Mr. Bennett: Then why ask the question again if you know what the answer is?

Mr. Swart: Because it is not being done by them and I wanted to get it directly from your ministry which, of course, has some authority over this and works with the planning authorities.

Would it not have been wise, before this matter had been dealt with or sent on to the Ontario Municipal Board, or until you had worked with them in promoting this amendment, to have waited until the report was in from this study?

Hon. Mr. Bennett: I do not know where this line of questioning that Mr. Swart thinks we are in a course of—

Mr. Swart: Perhaps it would become clear to you if—

Hon. Mr. Bennett: Let me put some very clear parameters on the case we are working on. I covered most of them in relationship to the letters of request for referral.

As I said last week, I take it that those are bona fide, authentic letters and seriously meant to refer the matter to the Ontario Municipal Board. I trust Mr. Swart is not predetermining that the board is going to approve or what they are going to do with this particular development. I have no idea, but your whole line of questioning seems to lead to your already having taken the position that there is going to be just about an automatic position of the OMB in approving it.

Mr. Swart: No, I am not.

Hon. Mr. Bennett: Your line of questioning certainly seems to go in that direction. Let me go to the next thing.

Mr. Swart: You have put them in a difficult position by telling them they cannot deal with the issue of being premature in your referral to them.

Hon. Mr. Bennett: I doubt very much that a minister of this government, a member of the Legislature, is going to be telling the OMB which direction to go in arriving at a decision relating to any application before them.

Mr. Swart: You are a member of the government; it is government policy.

Hon. Mr. Bennett: Let me suggest to you, Mr. Swart, that if a minister's letter to the OMB is government policy, why the heck do we go through the long court hearings in various situations? When Mr. McKeough tried to indicate certain developments and expansions of those boundaries it was argued it was not government policy.

Mr. Swart: That was done by intervention at the hearings. You know the things behind that. This is government policy which you have stated in a reference to the Ontario Municipal Board, that in your view they should deal with it and you are a member of the government.

Hon. Mr. Bennett: In your view it is government policy. Mr. McKeough did the same thing as the Minister of Intergovernmental Affairs and it was ruled by the courts not to be government policy.

Mr. Swart: He intervened at the time of the hearing, which is substantially different.

Hon. Mr. Bennett: I do not think it is substantially different at all. You are talking about government policy.

Anyway, the matter went to the OMB because we had, as I said, 15 requests for referrals over the period of time. If the minister decided a request for referral was frivolous—and I would have to think, Mr. Swart, that would be a little bit presumptuous of the minister, to start saying certain of the people who were writing had a frivolous request, which also brings me into some degree of the legal entanglements which I have experienced more than once since being the Minister of Housing, when I have called something frivolous.

Second, if we understand the process it also allows the developer, the municipality or any other interested group that wants to see the development go ahead to petition the minister to send the application forward to the Ontario Municipal Board.

So there are many avenues in which this particular case could have arrived before the municipal board, not only those who are opposing it, but also those who might favour it. As I said in my remarks, I trust that in this society we still believe in the rights of those for and against to express an open view on the subject as they wish, so the presiding officers will then arrive at some decision.

As far as the report is concerned, that report can come in, the OMB can decide they are not going to deal with this issue until they see the report. That is a decision they can make. I am not directing one way or the other.

Mr. Swart: I want to get on to another issue but I do want to reply to that. I am fully aware of the provisions of the Planning Act and other legislation, of course.

I know if this had been turned down, they could have made direct application to the Ontario Municipal Board. Anyone has that right; the developer could have done that, I am aware of that. I am not levelling any criticism against your ministry for doing what is required by the act.

My objection is: First, you helped promote, and perhaps even initiated, this route for them to get a development which had been previously turned down by you. Second, when you got the request for referral that had been raised in the House, there was no time given for the opportunity to see if those people wanted to withdraw it, even though I had raised the question. Third, when you referred it to the Ontario Municipal Board you referred it with a bias—they could not consider it, it was premature. Those are the things I object to.

I know the law and what you have to do with

regard to these things and there are all kinds of routes, but the bias shown towards this development is what I am complaining about.

Hon. Mr. Bennett: Let me answer that. Just a moment, you have your day in court, I will have mine too.

Mr. Swart: I am quite prepared.

Hon. Mr. Bennett: You start talking about the minister waiting to see whether some people are going to withdraw the letters. I said to you before, and again today, I considered the letters that were sent to my ministry, requesting the referral of this particular amendment to the Ontario Municipal Board, to be bona fide, serious requests. If they were frivolous, they might want to withdraw them, but I did not consider them frivolous. Even if I had considered them frivolous I would have just waved them aside and taken the action on the amendment one way or the other. The fact is I put them in the category of being serious in relationship to their request.

I have never gone back and tried to find people—13, 14, whatever the number happens to be—to withdraw their objection. The day I refer the item to the Ontario Municipal Board, they could very well withdraw their objection. If there is unanimous agreement—unanimous between the municipality and the letters that were submitted; both agreed that the item does not go to the municipal board—then the minister can advise Mr. Andrews and the municipal board that the item is being withdrawn from there to be dealt with by the minister in his office.

That option is still open to them. If you have 100 per cent agreement to withdraw, including the opposing municipality, that particular situation still is available to all of those who sent the letters to me.

Frankly, I refute again that our ministry in any way tried to direct the Collingwood township, the specific township, its reeve or any of the others, on an official plan amendment. I said in my remarks we were asked for some comments; we pointed out to them very clearly some of the situations, even those which we indicated were not proper at this point.

Mr. Swart, I tell you again, and you know it as a former municipal member, many municipalities, many planning boards come forward to our ministry and request advice, background and so on. They do not always take it. They still go off in their own area, even though we might say, "Your chances of succeeding are virtually nil." That is a decision they make. They have the control of their destiny to a fairly large extent, save and except whatever the municipal board might decide as the result of an appeal.

So I do not accept the fact that we in any way aided, abetted or initiated an amendment to the official plan.

Mr. Chairman: We have had a long discussion on that. If you want to get into other areas, you had better hurry up because there are only about 12 minutes left.

Mr. Swart: I could reply too, that they were serious requests at the time, nobody doubts. They were serious requests because they were concerned, very much concerned, that you would approve it.

Hon. Mr. Bennett: That is their opinion.

Mr. Swart: But there was the opportunity to turn it down if they would withdraw it, and you would not give that commitment.

Hon. Mr. Bennett: It is hard for me to give that commitment because I am not sure, if that is the kind of attitude we are going to take—we are going to start playing games, the game of referrals. That is what it is, a game, it has to be, if you think you can put it in as a front and then decide if you can get some kind of understanding, you will withdraw them.

Mr. Swart: You would never notice that one extra move in the game you have been playing with the developers.

Hon. Mr. Bennett: Pardon me, Mr. Swart, do you want to put that in positive terms again, that I was playing with the developers? I have never talked to the developer; I would not know the individual if he walked in. I have never met anyone on this particular subject, so I suggest you very seriously review that matter and withdraw that comment, because I have not in any way—

Mr. Swart: The game your ministry was playing with the developer.

Hon. Mr. Bennett: I think you were a little hasty in arriving at your own conclusions. You prejudice every case.

Mr. Swart: I will leave the evidence with the public to determine.

Hon. Mr. Bennett: No, with the Ontario Municipal Board to make the decision.

11:50 a.m.

Mr. Swart: Under a biased letter.

The other point I want to raise is to ask the minister, are you aware of the study done by the Ministry of Industry and Tourism, the consultants' study done in the Beaver Valley area?

Hon. Mr. Bennett: I call upon my staff member, Mr. Farrow, or Mr. Wojciech Wronski. Which study are you referring to, Mr. Swart?

Mr. Swart: I am referring to a study that was released July 21, 1980. It was done substantially

prior to that by Marshall Macklin Monaghan Limited, of Toronto, for the Ministry of Industry and Tourism.

Hon. Mr. Bennett: Relating to what?

Mr. Swart: Relating to the Beaver Valley area relative to the future use and development.

Hon. Mr. Bennett: Land use development, industrial, commercial, residential and historic?

Mr. Swart: Yes, it was a fairly comprehensive study.

Mr. Farrow: Mr. Chairman, I cannot say we have not seen that study, but I have no recollection of it.

Mr. Swart: There was a comprehensive study; a press release went out on July 21, 1980: "Consultants' study released. The Ministry of Industry and Tourism today released the consultants' study on the proposed tourism development strategy for the Collingwood, Midland, Orillia area." The press release states: "While the recommendations provide a frame of reference for tourism development in this important region, the report does not necessarily reflect government policy."

Obviously, Mr. Minister, you are not familiar with it. I was going to ask some questions about it but if you are not terribly familiar with it, I will not ask any questions except to make the comment that if you had seen this study and seen the summary of this study, you would realize it does not even mention the Niagara Escarpment Commission, or the fact that an act has been passed; it does not state the objectives.

It was done in isolation from the Niagara Escarpment Commission and obviously in isolation from your ministry. Would that be correct?

Mr. Farrow: I am advised that the staff did see that report; there was a comment. One of our comments, Mr. Swart, was that they had not taken into consideration the Niagara Escarpment plan. That was a comment made by our ministry to Industry and Tourism on that point.

Mr. Swart: Are you aware that David Paul, a tourism development consultant of that ministry, appeared at the appeal before the appeals officer on this development in support of the Epping Commons development; that the report of the appeals officer, which of course you will have seen and which you dealt with, reports him as stating—and, incidentally, he was involved in the development of this study of the Ministry of Industry and Tourism:

"An area profile developed for the Beaver Valley indicated a need for facilities such as that being proposed. The boundaries of the announced Four Seasons area are not firm as yet." In his

opinion the Four Seasons concept was applicable to the Beaver Valley. His ministry was supportive of the proposal.

His ministry, the Ministry of Industry and Tourism, contrary to the Provincial Secretariat for Resources Development, without consultation with the Ministry of Housing, states they are supportive of the Epping Commons development.

"In reply to questioning, Mr. Paul said that the nearby Craigleith-Camperdown region was regarded as a quite separate and different type of recreational area active in concept as compared to the passive recreational concept of Beaver Valley."

His evidence there from the Ministry of Industry and Tourism—and he was involved with this study, which does not give any consideration to the Niagara Escarpment Commission—promotes the development which the resources secretariat says is inappropriate and on which your ministry has not even been consulted.

Do you not really think there is something wrong with the operation of a government when there is, number one, a legislative policy, the Niagara Escarpment Planning and Development Act, passed by the Legislature and supported by your government, and then you, the minister, do not even consult with the minister in charge of the Niagara Escarpment when there is a proposed major development, and the Ministry of Industry and Tourism goes out and promotes, in every way it can, development which is contrary to the principles of the act?

I cannot think of any greater condemnation of your government, Mr. Minister, than that; all going off in all directions. Let me ask you this: Should not the Niagara Escarpment Planning and Development Act, a legislative act, take priority?

Hon. Mr. Bennett: I take it what you are saying is that no one should have any other expression of opinion.

Mr. Swart: Should the other ministries not be giving consideration to that act?

Hon. Mr. Bennett: You are making the point, I think, Mr. Swart, that once that is in place—

Mr. Swart: I expect the government to live up to it.

Hon. Mr. Bennett:—development and so on, that the Minister of Industry and Tourism—and I am not here to defend his position; he can do that very adequately himself in the House or wherever you wish to ask him the question—at that point should not express any further views on what is, in their opinion in their ministry—singular, their ministry—some potential uses for that land.

Whether it is in keeping with the Niagara Escarpment, of course, is another case. Frankly, you can say that we should be frozen out. I am sure when that report was done there were people at the municipal level requesting the Ministry of Industry and Tourism to look at the possible opportunities of certain lands in that community, for the further economic development and improvement of that particular jurisdiction.

Mr. Swart, again, I am not privy to all of the discussions that likely went on with Mr. Grossman and people in his ministry with that particular municipal council or municipal planning board.

You mentioned this report to me. I admit I have not read it, but I would be interested in the terms of reference of the report, because that very often tells us what the objectives were in producing it.

Mr. Swart: Do you think it is appropriate for a representative of another ministry to appear before the appeals officer to put a position which is contrary to the position taken by the Legislature and by the government of the province generally?

Hon. Mr. Bennett: I think if he was asked to come forward—it reminds me of the municipal board—

Mr. Swart: Asked by whom?

Hon. Mr. Bennett:—asked by the municipality or others, that someone from the ministry come and take a particular position on an issue. It often intrigues me when we get into this kind of argument, because, quite often, you and your party have a very common position when you know someone within government, a staff member, opposes a particular government position on an issue, and will subpoena them to come before the OMB to express their personal views. Here is a situation where a municipality has done just about the same thing, asked that someone in the ministry who is favourable to their position, or who would appear to be favourable to their position, go before the hearing officer and express a view.

I suppose we are always playing on two different streets, your street and our street. It is fine as long as they accept our point of view, but if it is anyone else's they should not be there.

Mr. Swart: I will just conclude by saying that on my street, I think that once a government decides policy there is a responsibility on government to carry out that policy.

Hon. Mr. Bennett: I will tell you this, Mr. Swart, it will be very, very interesting when certain decisions come forward on other matters you have a very keen interest in, where government policy may not be the same policy

being extolled by the civil servants of this province. You will subpoena them to come before the municipal board for their views to be expressed.

I just want to make it very clear on this issue and others; I think there still is a certain degree of freedom in expressing some views. One may not always agree with all government policies, whether they be people within the government itself or on the outside of government. I am referring to the opposition members over there and their research people.

The fact is, I think there is still a degree of freedom to express an opinion as to what a particular minister or ministry or people in the professional category happen to think about the use that should be made of certain land or policies—

Mr. Swart: He gave this opinion as an opinion of the ministry.

Hon. Mr. Bennett: Let me just clear up one other thing. Mr. Swart suggested—and I may have overlooked it, Mr. Swart, going back to the Epping Commons thing—a note came to me

here that Mr. Swart suggested, “Not you”—referring to me—“but your ministry has played games with the developers.

12 noon

I just want to put a very emphatic response on the record and deny any game is being played with developers, either on this project or any other project. We try to deal with things in the best interests of the municipality and the individual, whether for or against the project.

Mr. Swart: I will lay the evidence before the public, which is the ultimate jury.

Hon. Mr. Bennett: That is right. You do not seem to be doing very well so far on it.

Mr. Chairman: Does this now mean that Mr. Farrow still has his job? However, in the past he has been very efficient and has always co-operated with any inquiries I have had. I am sure he will continue to do so with all members here.

Votes 2201 to 2206, inclusive, agreed to.

Mr. Chairman: That completes the estimates of the Ministry of Housing.

The committee adjourned at 12:01 p.m.

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From the Ministry of Housing:

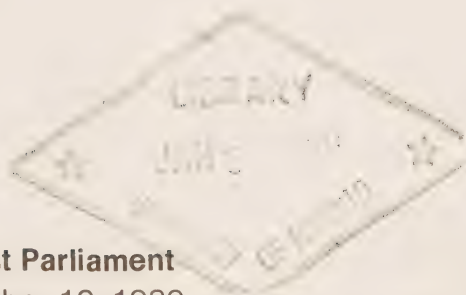
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Legislature of Ontario Debates

Official Report (Hansard)

Standing Committee on General Government
Estimates, Management Board of Cabinet



Fourth Session, 31st Parliament
Wednesday, December 10, 1980
Afternoon Sitting

Speaker: Honourable John E. Stokes
Clerk: Roderick Lewis, QC

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LEGISLATURE OF ONTARIO

STANDING COMMITTEE ON GENERAL GOVERNMENT

WEDNESDAY, DECEMBER 10, 1980

The committee resumed at 1:06 p.m. in room 228.

ESTIMATES, MANAGEMENT BOARD OF CABINET

Mr. Chairman: I will recognize a quorum. We will sit until question period and then come back; we will start and go until four or five, or whatever time is agreed upon. If we can possibly finish this afternoon, so much the better.

We do not have the critic here for the Liberal Party, but I suggest we proceed with the statement by the minister. At the completion of that, if the Liberal critic is still not here, possibly we could go to the NDP critic, Mr. Germa.

Mr. Germa: I would rather wait for the proper rotation.

Mr. Chairman: Let's proceed with the minister's opening statement. Possibly one of the Liberal members could look for the critic.

Mr. Epp: We will see what happens in the next few minutes. If no one shows, we will try to get someone else.

Mr. Chairman: All right.

How long is your statement, Mr. Minister?

Hon. Mr. McCague: It is fairly long.

Mr. Chairman: So we have some time.

Hon. Mr. McCague: I guess the question is, can the statement become part of the record without being read?. If it can, that might allow us a little more time today.

Mr. Chairman: We have, in the past, gone through the statement. The minister wanted to know whether committee members would like the statement read. It would be a little difficult to raise questions if the statement is not read.

Mr. Germa: I think it should be read, Mr. Chairman.

Mr. Epp: I think so too.

Mr. Chairman: That is my reaction too, Mr. Minister.

Hon. Mr. McCague: It is just that it would give you more time.

Mr. Chairman: Let's proceed with the reading of the statement.

I try to touch base with the select committee on plant shutdowns, as a member of that committee, in order to maintain continuity on the progress there. I hope the committee members and the minister will understand if I should leave for about half an hour.

Hon. Mr. McCague: Thank you, Mr. Chairman.

On my left is my deputy, George Waldrum, chairman of the Civil Service Commission. On my right is Mr. R. J. Butler, secretary of management board.

1:10 p.m.

I welcome the opportunity to present the estimates of Management Board of Cabinet to the committee. I know the members will be interested to hear of the steps we have taken over the past year to ensure that the board's dual role of general manager and employer is carried out effectively by the management board secretariat and the Civil Service Commission.

Since 1975, Ontario has reduced the cost of running internal government operations by 1.3 per cent and, in the same period, increased assistance to people by 6.6 per cent.

The StatsCan figures for 1979-80 show that Ontario has the lowest per capita cost of government of any province, \$1,941. But Ontario is not just a winner in comparison with the provinces. Since 1975, our expenditure growth rate has always been below that of the federal government and below the rate of economic growth as well.

In constant 1979-80 dollars, management board has reduced its own operational expenditures, excluding the contingency fund, by \$609,000.

As you will all know, the concept of an expenditure ceiling has been a key component in our expenditure restraint program. By committing ourselves to an upper spending limit at the time of budget statement, we establish a very strong pressure on prudent management; namely, the realization that any increases in expenditure will have to be offset elsewhere in the system.

However, good management in the 1980s cannot be based entirely on traditional concepts,

even concepts that have served us well. The necessity for a firm expenditure ceiling must be balanced by a need for flexibility in the face of unforeseen events.

Thus, early in 1980, as interest rates began to escalate dramatically, we decided to advance certain payments to school boards and municipalities in order to minimize the impact of interest rates. These advances amounted to \$217 million. In addition we decided to resolve certain land purchases with Ontario Hydro, which added one-time expenditures of \$59 million. These special items amounted to \$276 million, which resulted in total spending of \$272 million beyond the original expenditure ceiling.

It was these two unique items that put us beyond the ceiling in expenditures, but they were deliberate management decisions made for good and sound reasons. The basic management control system remains viable and effective; our commitment to it is beyond question.

With regard to regulatory reform, by law many businesses in the province have certain obligations to the Ontario government. In response to criticism that this relationship has been strained by a heavy burden of paperwork, we launched a thorough study of all the regulations that require businesses to retain records for specific lengths of time.

Working with a number of private sector interests and all ministries, we found that 211 regulations contained such a requirement. The review recommended that 142 of these be modified to make clear what, if any, record-keeping requirements should apply. Considering the large number of organizations involved and the high cost of storing information in the business world today, we feel that significant savings can be achieved by relaxing the requirements where appropriate. In some cases, simply by clarifying our intentions, we can eliminate the need for a firm to ask the government for permission to destroy relevant records.

As a specific example of what we have been able to accomplish, the Ministry of Revenue now requires that 233,000 corporations registered in Ontario write to the ministry for permission to destroy their records for taxation purposes. A similar situation exists for the 150,000 vendors collecting retail sales tax and the 10,000 collectors of gasoline, diesel and tobacco taxes. When you consider the cost of writing a business letter today and apply that cost to 393,000 corporations, you can see the potential savings to the business community are in the millions of dollars. The same savings will be achieved by the government because those unwritten letters will not need a reply from us.

In another case, I have reviewed recommendations from the ministries of Health and Community and Social Services that would set a standard period of time that patients' and residents' medical records are retained in the 282 public and private hospitals, 357 nursing homes, 506 homes for the aged and for special care, and approximately 800 other institutions offering health or social services in the province.

In some cases, these records have been retained for at least 50 years after the patient's last visit. We expect to reduce and standardize this period to 20 years, and we are discussing this recommendation with the people affected.

In another example, the Ministry of Agriculture and Food requires operators of riding horse establishments to retain a record of every customer visit. In these situations we will recommend deleting the record-keeping requirement entirely.

For the legislation affecting the accounting records of loan and trust corporations, business corporations, co-operative corporations and credit unions, the Minister of Consumer and Commercial Relations (Mr. Drea) is considering a standard retention period of six years. It is our intention to ensure that all the legal requirements are reasonable and that they state the number of years the records must be retained before they may be destroyed.

We are now in the process of identifying where these standards are lacking, and we have developed a mechanism to ensure that this issue is addressed whenever new legislation is drafted. The results of this study will enable several ministries to announce changes in the near future. The Honourable Alan Pope, Minister without Portfolio, will be responsible for securing the necessary amendments to the regulations.

Government purchasing in the private sector can be used as an effective tool to achieve government objectives for industrial growth and development. Earlier this year, the management board and the Ministry of Industry and Tourism began a review of government purchasing policies and practices to identify ways in which our spending can be used to stimulate Canadian manufacturing and research capabilities.

When the Treasurer (Mr. F.S. Miller) recently announced the establishment of a procurement policy office and the extension of the Canadian preference policy to all provincially funded agencies and industries receiving provincial government development assistance, the study was of tremendous assistance. The secretariat and the procurement policy office will be working closely to implement the policies and continue the review of existing practices.

To be a truly effective influence in the economy, the government procurement dollar must be accessible to all sectors of the business community. Last year we took a careful look at our spending patterns to determine the extent to which the government purchases goods and services from small businesses. A sampling of 1978-79 government purchase orders confirmed our belief that government purchasing does not discriminate against small business in any way.

Specifically, we found that small business received 51.2 per cent of the total value of our purchases, exclusive of purchases for construction projects. In addition, small businesses received 63.9 per cent of the individual purchase orders which ministries issued. Small business makes an enormous contribution to the economy of Ontario, and we intend to ensure that these small businesses continue to receive favourable consideration in supplying goods and services to the government.

In management technology, the Ontario government is a leader in the use of data processing technology. During the last five years our technology investments in pursuit of productivity have doubled. A large proportion of this investment has been acquired from a growing industry in Ontario.

Our role at management board is to encourage innovative use of this technology to keep the government process modern, efficient and self-oriented. We ensure that program managers are aware of new opportunities, that they understand the advantages and risks involved and that new investments are properly implemented in their programs. Like many businesses we feel that the most significant contributions to productivity and efficiency will come from the innovative use of this technology.

As government becomes more complex, it is crucial to encourage co-operation among various departments. The lead ministry concept for major undertakings involving more than two ministries has been an important step towards better co-operation, but the secretariat feels that more detailed advice to managers is necessary to assist ministries in undertaking these tasks. Accordingly, management board has developed guidelines for lead ministry projects to provide a straightforward, results-oriented, interministry management process.

The agency review committee has defined a need for policy clarification in three areas: the control of how agencies are established; the control of how they operate; and the determination of when their work is completed.

The government has adopted basic policies

for all three of these areas. The secretariat is responsible for staff support to the committee and the implementation of these policies.

1:20 p.m.

Terms of reference for any proposed agency must be approved by the management board. At present, memoranda of understanding to clarify roles and relationships are being prepared for all schedule I and II regulatory and operational agencies. Sunset review dates for advisory agencies have been set by order in council. Detailed guidelines for sunset reviews are nearing completion.

A new role for internal audit: In 1977, when the provincial auditor's legislation was changed to incorporate the concept of "value for money," we were already taking a closer look at our own operations to assess the impact that comprehensive auditing would have on our control processes.

The traditional function of internal audit has been the evaluation of financial controls. However, an interministry task force has evaluated this traditional role in the light of the government's growing interest in value for money and accountability. The recommendations of that task force, recently approved by management board and cabinet, call for the adoption by all ministries of auditing policies which embrace management controls—those concerned with efficiency, economy and effectiveness.

We believe that this change will put the internal audit team at the right hand of the deputy minister and his management committee. Our auditors will test the quality of vital control information and report directly to the managers and the deputy minister. This will ensure that the controls so essential to our value for money and accountability efforts are regularly evaluated and, as necessary, improved.

I would like to take a few minutes to provide members of the committee with an outline of the work of the Civil Service Commission. As you know, the commission represents the other half of my responsibilities as Chairman of Management Board of Cabinet. During the year, the commission continued to review its programs and policies. The following points indicate the wide range of personnel areas in which the commission is involved:

An important medium for the improvement of performance for all our employees is the program of staff development provided by the commission. Approximately 3,500 employees participated in 172 courses and workshops and almost 300 days of management consulting were carried out by the staff development branch at ministry work sites.

One of the key directions during the past year has been the implementation of a series of manpower development policies to provide special training and additional experience for our managers. For example, executive career rotations, secondments and exchanges both within the service and outside, will increase the opportunity for selected individuals to move to new positions which will broaden their experience and help them to gain a more corporate perspective.

Corporate development assignments and executive development leave will offer planned work experiences, both within the public service and in external settings, to prepare high potential executives for future leadership roles in areas of increasing priority. By building closer links with university programs in public administration, the commission will have a more extensive range of resources to draw upon for management development.

In the area of staff development in French language training, there are two other points which I want to note. More than 500 employees received instruction in French language, which will assist in providing services to Franco-Ontarians. Also the Ontario-Quebec summer exchange program continues to provide a valuable cultural and employment experience for selected students from both provinces. This year, 165 Ontario students worked in the province of Quebec and 135 Quebec students were employed by ministries in this province.

The commission has recently prepared and distributed an orientation policy and information package to assist ministries to familiarize their new employees with the work of the Ontario government. Particular emphasis has been placed on the totality of the service provided to the public, the role of the civil servants in providing that service, and the rights and responsibilities of civil servants in connection with their employment with the government.

Through this effort, we are striving to increase the understanding of our civil servants of the broader aspects of government services, as well as the individual services provided by each of the ministries. The final goal, of course, is improved service to the public.

I should like to make you aware that Ontario government staff not only contribute to the wellbeing of our province and its communities through their service to the Ontario government, but they are also actively involved in the betterment of their communities in other ways. In the most recent fund-raising campaigns, the employees have again surpassed expectations. Last spring, in the cancer society/heart founda-

tion campaign in Metro Toronto and the surrounding area, 18,870 employees donated \$154,831. This represents an increase over 1979 of 30 per cent.

This fall in 31 United Way campaigns around the province, about 35,000 employees have donated almost \$904,000 to date, and all returns are not yet in. This will likely represent an increase of 18 per cent by the time the books are closed.

I understand the Metro Toronto United Way will be presenting a bronze award to the employees on behalf of the United Way campaigns in and around Metro Toronto. Of course, many individual groups of employees continue to earn bronze, silver and gold awards, but the award for our total staff group is a new achievement.

Blood donor clinics are held in many locations. I only have figures on the Toronto clinics where, so far this year 1,900 pints of blood have been donated. While not administered as formal campaigns, we are aware of and should recognize the efforts of individual employees and groups who, on their own, have raised additional funds for the Terry Fox Marathon of Hope, sponsored "boat people" last fall, and are now actively involved in connection with the recent tragic earthquake in southern Italy.

In addition to the tremendous support given by the donors in each of these programs, I would like to express appreciation to all public servants who provided essential leadership during the campaigns and to the approximately 4,000 campaigners who successfully conducted the canvasses.

The Civil Service Commission, through its performance appraisal policies, has placed a strong emphasis on improving job performance throughout the service. The commission staff is working with the ministries in developing extensive programs and training in the area of performance appraisal to assist in the development and enhancement of an individual's ability to do the job or to determine training needs. As a result, the employee may be able to cope with more demanding positions in the future.

These performance appraisal reviews give the supervisors an ideal opportunity to discuss with the employees any area of deficiency, as well as areas of excellence and ways of improving job performance.

As part of our continuing efforts to improve the performance of the public service, we have been working to promote better attendance. In this respect, the public service is among the major employers to have given the control of absenteeism an important place in the management process.

In the public service, we have a computerized

central attendance recording system which has been fully operational since July 1978. Before that date, records were maintained manually in each ministry. The centralized system permits us to analyse patterns of absence and determine where problems exist. We are now working on a training program for supervisors which will equip them to take remedial action where necessary, such as improvement of working conditions and job content, assistance to employees in dealing with health and personal problems and, as a last resort, progressive disciplinary procedures.

I am aware of the interest that certain members have expressed in the accountability of civil servants for their actions or lack of action. I should make it clear that I believe the foregoing positive actions hold the best potential for maintaining a high degree of efficiency and service. However, deputy ministers do hold civil servants accountable and, depending on the circumstances, may impose penalties, varying from oral and written reprimands to dismissal.

It must be borne in mind that employees who are disciplined in this way have the right to grieve these actions before a third party panel, either the grievance settlement board for bargaining unit employees, or the Public Service Grievance Board for management employees.

While on this subject, I would like to comment on the matter of a fairly large backlog of grievances that has built up during the past few years. This backlog has become an increasing concern to the government, to the union and, most particularly, to the employees involved.

1:30 p.m.

The flow of grievances four or five years ago was such that the chairman and seven or eight vice-chairmen could handle the work load. However, the number of grievances being processed by the board has increased in recent years. In order to deal with this situation, in the past two months we have added 18 vice-chairmen to the panel and, starting in the month of January, the board will be able to handle 40 or more hearings per month.

I should also tell you that a special vice-chairman, who will act as an expeditor and a mediator, has been appointed with the objective of resolving grievances without a hearing. I am pleased to report that his success to date has been very encouraging, and his success rate should increase as the parties acquire more experience with this approach.

At the same time, the grievance settlement board has taken steps to improve its procedures, and this will serve to expedite the hearing process. It will take some months to take care of

the backlog, but I am satisfied that it will be done and that the board will be able to handle the future work load without any particular difficulty.

Again, I am pleased to report successful efforts to contain the size of the public service in Ontario. The regular staff figures for the end of August, when compared to the same month last year, show a drop of 1,567 positions.

Staff reductions since 1975, made despite the increased demands that come from a growing population, reduced the provincial work force by 4,586 persons. We estimate staff salary and overhead savings in this total reduction to be approximately \$125 million per year, or about \$33 for every Ontario taxpayer this year.

Had the population-to-staff ratio of 1975 been maintained, our work force would have grown to 91,500 today. Thus, our manpower controls have reversed a growth pattern that would have added 9,000 positions to the public service. We have not just cut in the easy places. Despite the creation of a new ministry, Northern Affairs, the province reduced the number of executive positions by 110, or 16 per cent.

Compare our 5.3 per cent cut over the past five years to a 7.3 per cent expansion in the federal service; compare our 9.8 per thousand staff-to-population ratio to the national average of 14; compare the staff reductions to a 4.5 per cent population increase, and you will see that the public service productivity is increasing by two per cent per year.

A higher profile for management issues: In the final pages, I would like to give special attention to the growing importance of management issues in government.

During the 1970s, fundamental changes in the economy brought a new set of priorities to government and strong new demands for efficiency and effectiveness in public spending. The fact that we have some flexibility in our finances today is a tribute to the government's decision in 1975 to adapt quickly to this new climate and bring its spending into line with current economic realities.

Because the problem was recognized in its early stages, not only were we able to put our house in order, but we were spared the temptation to attack the problem with extreme solutions. Programs were not cut, service levels have been maintained, and the changes have been made with a minimum disruption to our staff and the people we serve. It is a record envied by many other jurisdictions.

The successes of the past five years have been achieved because the key principles of the restraint program begun in 1975 have become permanent features of the management process.

The expenditure ceiling, dollar control of manpower, and the realization that funding for new programs must come from existing budgets, are the concepts which guide us in our day-to-day decisions.

But if we are to maintain this record of performance in the next decade, if we are to provide the same levels of service to the public without raising taxes, we must be prepared to build on these successes and make prudent management a way of life in the Ontario government. To do this, I believe that a conscious effort must be made to raise the profile of management issues in the public service.

Today, this government faces a crossroads very much like the one we faced in 1975. Having established the corporate financial controls that brought spending into line, we have achieved what we set out to do. However, if we want to continue to produce the successes of past years, we cannot rely on this financial control system alone.

I think my remarks on the internal audit program made an interesting analogy of the kind of problem I see before us. Having concentrated on financial controls in past years, we now feel that more attention must be given to management controls because of the government's growing interest in value for money and accountability.

The challenge now is to help individuals in the service adjust to the fact that government is not growing. When you consider the pressures placed upon a manager in the public service today—budgetary constraints, staff reductions, value-for-money auditing, regulatory reform, a strong new emphasis on open government, increasing public scrutiny—we must take care not to let frustration and cynicism replace the creativity that has served this province so well in the past decade. It is reasonably easy to be creative when you are growing. It is much more difficult when the growth has stopped.

The time has come now to dig much deeper for the improvements and to deal with growing demands without increasing our spending. For no matter what our financial position, the government will always want to do new things.

We have established a management standards project in the secretariat to develop proposals and advise the government on adapting the management process to the demands of the 1980s. The project team has been working on these proposals for the past six months and the necessary approvals were given by management board and cabinet this morning.

Mr. Chairman: Thank you, Mr. Minister. Before we proceed, I wanted to indicate for the record that Mr. Germa will be substituting for

Mr. Laughren. I would also like to indicate to committee members that in the various other estimates we have been doing we have not necessarily been following each vote but have been concentrating in those areas that the critics would like to spend time on, but I am at the whim of the committee, at that time, when each critic has responded to the minister's opening statement.

At this time, we will call upon Mr. Mancini for any comments.

Mr. Mancini: Sam, are we breaking at two o'clock?

Mr. Chairman: We will be breaking at five to two in order to allow us some time to get into the House.

Mr. Mancini: My first volley at the minister can only be about 20 minutes. Is that correct?

Mr. Chairman: That is probably correct, and in the effort of trying to share time, maybe your first volley will be 20 minutes—or are you anticipating a bit more?—so that when we return Mr. Germa will then have his first 20 minutes or so.

Mr. Mancini: Okay. There are several points I want to mention, and the first one being I would request of the minister if it would be possible for him to respond to our questions which may be posed in the opening leadoff in the same order as they were posed.

You may recall, Mr. Minister, last year I spent a good deal of time preparing for the estimates and had everything done in a chronological order, which I believed to be for a purpose. But when you responded, you decided to respond in the order as those questions would appear if we had gone through the book, vote by vote. Therefore it was difficult for me to correlate the answer with the original question.

That would be my first comment—to request of the minister, if at all possible with these estimates, if we could have a response in the order in which the questions were placed.

I am always pleased to hear that we are receiving good value for our money spent and that control within the civil service, as far as its growth goes, is at an adequate pace, not one which would cause undue hardship to the taxpayers or undue hardship to the civil service itself. Because, as we all know, the civil service is here to do a job and that job is for the people of Ontario.

I am always slightly confused though by the different figures we are given, as members of the Legislature, and as members of the public, as to how this control is imposed and where we stand, particularly at any given moment.

You may recall, Mr. Minister, some time ago,

a four per cent manpower control policy was decreed by your government. That was going to be the mechanism by which expenditure and growth within the civil service was going to be kept at a level acceptable both to the taxpayers and, of course, to the civil service in order to get the work done. Now we hear from you today that you are doing this in a new way.

I missed the first part of your statement, I'm sorry, but we hear that you are doing this by eliminating positions within the civil service, and you are, in that manner, keeping the growth and expenditure of the civil service in line.

1:40 p.m.

So I want to ask of you, has the four per cent manpower control policy which was announced by your government some time ago been eliminated? And if so, is this how it has been replaced? And is this how it is now going to be dealt with? Also, I have a great concern when I hear the minister or anyone else within the government speak about the elimination of positions, because we all know that the elimination of positions does not necessarily mean the elimination of any particular person.

We all know when the different departments are being set up, they may have a certain number of positions to be filled. But those positions, that number, could be greatly inflated, so therefore a person would never have to cut any individuals, no matter how austere a program the government would want to implement.

For example, Mr. Chairman, a certain department within the government may have 500 positions, and that is an arbitrary number. That number has been chosen arbitrarily by a group of individuals who thought that 500 positions should be what is adequate for that department. But in the back of their minds they may have thought: "Well, it might take 20 years before we get these 500 positions," Or they might never get to the 500 positions and they actually only need 300 bodies, and so when the minister tells us they are cutting positions, he is not really telling us, I believe, the whole story.

I would like the minister to address that in a little more detail in his response; that has always caused me some concern. I also am not totally clear as to the minister's position on government spending. You mentioned also a new item, value-for-money auditing, and I would like to correlate the two if it is possible. I believe that is a new term; I don't believe we heard that in last year's estimates. Is that correct, Mr. McCague?

Hon. Mr. McCague: It is in the 1977 audit, I think.

Mr. Mancini: But in last year's estimates, I do not believe value-for-money auditing was a jargon term you used—

Hon. Mr. McCague: I really cannot remember whether I used it or not.

Mr. Mancini: I am very careful in trying to recall these things, and every time I hear a new phrase like that I write it down, because it is very important for one to understand the jargon so we know exactly what is going on. A couple of years ago it was management by results, and some other things, zero-based budgeting. We get all these terms, but we have to understand exactly what we think you mean by value-for-money auditing.

Frankly, I am not sure if it is your position within the cabinet, as the chairman of management board, to be a person who is overly concerned with government expenditure or not, because we don't very often hear from you as to these matters. We do know spending goes up every year. We do know there are substantial deficits every year.

For that reason I want to ask of you, this value-for-money auditing, just exactly what is it, and who does it? And what is your purpose for doing it? Is your purpose for doing this to eliminate already existing expenditures? Is your purpose for doing this to eliminate future expenditures? And/or is this value-for-money auditing to ensure the public, the people we are here to serve, do get true value, true service for their tax dollars?

Possibly it could be some or all of that. I just wish, when we hear those new terms, when we speak of them, the minister would take the opportunity to inform us exactly what they are meant to be.

The reason I ask this, Mr. Minister, is so that next year when we come back to see you again—of course, next year we might be in reverse positions, we never know what might take place within the next few months—but if we do have another estimates before the election, Mr. Minister, we would like to come back and go over these terms you are using, to see, number one, if the name has changed; or, number two, if your program is being carried out successfully. To me that is very important, and I would like the minister to address that when he responds to my comments.

I would also like from the minister—I don't believe he has mentioned any of this in his prepared text. I take it there have been negotiations with the public service over the past few months with the different bargaining categories. I guess there are nine categories now. I would like an update from the minister as to the results of the bargaining with each category and what

has taken place, types of settlements reached, and new expenditures, if any, in any of the settlements, and how these new settlements reflect the four per cent manpower control policy enunciated by your government some time ago, and which, as far as I know, Mr. Minister, has never been enacted.

If you have scrapped that policy, fine, just tell us, but I want to know how that fits in with what has just transpired these past few months.

Now we are talking about employee bargaining and the different categories within the civil service, I want to mention to the minister that I was quite disappointed in the manner in which the request from the jail guards for a new bargaining category was handled. I don't think it was necessary to force the jail guards to strike illegally, to leave their jobs, and to demonstrate here at Queen's Park. I believe there was ample evidence available to the minister to justify a new category, the ninth category.

I know the minister will tell us it was the position of the union some time ago not to have this new category, but we both know that position had changed. They gave good reasons for changing their position on this matter and I just think possibly we could have handled that matter in a different way. I do not think the new category has adversely affected the civil service one bit, and I think all of us could have realized that at the time.

I just mention this because it was one of the major disruptions within the civil service we have seen in recent times. These are things we have to avoid and cut off at the pass in order to ensure a good working relationship with the civil service.

Is my time up?

Mr. Chairman: No, five more minutes I would think, Mr. Mancini.

Mr. Mancini: At this time I also want to take the opportunity to discuss briefly the matters of the agencies, boards and commissions. Being on the procedural affairs committee, it affords me the opportunity to work in an area which is related to the management board.

I wonder, for example, if the minister reads our reports and what pressures he brings upon the agencies, boards and commissions that we have come before us concerning the implementation of the recommendations the all-party committee, the procedural affairs committee, makes.

The procedural affairs committee just recently, in its last report, again had to call to the attention of some of these boards recommendations which were made some time ago but which we felt had not been implemented. Now

we are getting to the point, Mr. Chairman, where the procedural affairs committee, the committee charged with the responsibility to review these boards, is in the position of reviewing the recommendations that we made to these people, and I am afraid we are going to get bogged down in our own review.

1:50 p.m.

In order that this be eliminated, in order that the effective work of the procedural affairs committee continue, we need someone like the chairman of management board to ensure a follow-up of all of these recommendations made by the procedural affairs committee—the all-party committee—in the report signed and agreed to by the members of all parties, I believe; I don't think we have had any dissenting voices.

The committee is not structured so we can follow up on a day-to-day basis on the recommendations we have made, but the chairman of management board does have such a system in place under his authority. He does have the staff. He does have a certain amount of control over these agencies, boards and commissions, and I believe it is his responsibility to ensure either that all of the recommendations of the procedural affairs committee are carried out, or that we get a report to the Legislature as to why they have not been carried out.

During this past session there was a very strong recommendation concerning conflict of interest in the appointments on these agencies. There was also another strong recommendation concerning the secretiveness of the appointments to these agencies and we would like that cloud of secretiveness lifted from the whole process. We want it to be done more openly and in a manner in which members of the Legislature and citizens of Ontario know how appointments are made to agencies, boards and commissions, which have an awful lot of authority.

You know these guys have a lot of clout, and we don't know how they are appointed or where they come from; in some cases, we don't even know how they apply. I think it is totally unfair to give that kind of authority, that kind of power to people who are appointed in some kind of process with which we are not familiar.

Mr. Chairman, I will stop at this time. I have not quite finished my opening address, but I am almost finished.

Mr. Chairman: With that in mind, that will give us the opportunity to leave for the House in a minute and a half. And it is my understanding that you started roughly at 1:30; 1:32 was actually the time you started, I have it noted

down. I am only saying that so the NDP critic will know exactly how he sits as far as time is concerned.

Mr. Mancini: Bud and I get along very well; there will be no trouble.

Mr. Chairman: That will be the first, because I don't think Bud gets along with too many people.

I am only being facetious.

Mr. Samis: He has legions of supporters. They keep him away from his office. They come down from Sudbury.

Mr. Chairman: Then let us recess until after routine business in the House. I have to give a report to the House so I may be a couple of minutes late for starting up.

The committee recessed at 1:54 p.m. and resumed at 3:29 p.m.

On resumption:

Mr. Chairman: I see a quorum. When the committee recessed for question period, I recall Mr. Mancini had indicated he was only part way through his opening statement to the Chairman of Management Board of Cabinet. I will ask Mr. Mancini to continue.

At the time of his completion, would the minister or committee members object if the minister responds first to Mr. Mancini?

Mr. Mancini: Mr. Germa could go.

Mr. Chairman: So you would prefer Mr. Germa to proceed.

Mr. Mancini: It would be tradition. It doesn't matter to me, Mr. Chairman.

Mr. Chairman: After Mr. Mancini, we will go to Mr. Germa for his opening statement.

3:30 p.m.

Mr. Mancini: Mr. Chairman, when we left off earlier this afternoon, I was speaking to the committee concerning the review being done of agencies, boards and commissions by the procedural affairs committee.

As I stated then, we have tabled in the House, under the date November 1980, the third review done by the procedural affairs committee. I want to turn specifically to the report so that I can give the minister actual circumstances and facts found by the committee.

One of the matters I want to bring to the minister's attention is that not all of the agencies, boards and commissions are required to do annual reports. To me, that is wrong. Any duly constituted board should file some type of report, even if it is only a one-page letter sent from the chairman to the appropriate minister or to the Chairman of Management Board of Cabinet, informing them of what has transpired

over the past year, whether a budget was struck, or money was spent, or work had been done or if nothing had been done.

I submit to you, Mr. Chairman, if that is not the case, then it is absolutely impossible for the government to keep an ongoing profile of these boards and to know whether they are being useful or whether they are redundant or whether the statute which created them needs to be changed or revoked, or any of those things.

We in the procedural affairs committee are very limited in what we can do. For example, in this past year we have been able to review only six agencies, I believe. When we realize that there are several hundred agencies in the government, we know that our opportunity for review is limited. That is why I feel it is absolutely essential for these annual reports to be submitted.

I mentioned earlier that there were some specific recommendations made by the committee. I want to bring some of these to the attention of the chairman of management board, because I believe they are vitally important and need his immediate attention.

The chairman may be aware that one of the commissions we dealt with was the Ontario Educational Communications Authority. One of the difficulties we had in dealing with this agency was the fact that its accounting procedures were unlike anything we had encountered before. We had great difficulty understanding these procedures; therefore, the standing procedural affairs committee recommended—and it is in the report—that the Ontario Educational Communications Authority “adopt a standard accounting format similar to that found in other government departments and agencies when presenting the authority's annual report.” If we do want value for money and if we want value-for-money auditing, a standard procedure that can be understood by all is essential for these commissions and agencies.

We also were concerned by what we found when dealing with the Ontario Lottery Corporation. We found by accident, Mr. Minister, that moneys received from, I believe, sales of tickets of the lottery under the name of the Provincial were being used in what we thought to be a highly political fashion. There was some note of this made in the Toronto area press.

I do not want you to think we don't want the money to be used, but the manner in which the money was used and the guidelines which were tabled with the committee on how the moneys should be used really concerned us. I think we are getting away from standard procedures for how the government should distribute these funds.

I can recall it was stated in a document presented to us that one of the prime considerations before allocating money from the Provincial lottery funds was that the recipient should be a high profile project and that it should receive a massive amount of attention in the media. To me, that should not be one of the prime requirements. One of the prime requirements should be that the money go to a worthy endeavour, one that needs this type of funding and is something that is of concern to the people of Ontario.

We were quite concerned that those kinds of standards should be set up in the government. I won't go into the details of the grants and who received the grants, although that posed concerns too.

I want the chairman of management board to know that the procedural affairs committee made the following recommendation: "That the Management Board of Cabinet table in the Legislature any guidelines it has or will devise or any guidelines of the recipient ministries with respect to the allocation of lottery funds."

We are asking citizens to buy these lottery tickets, not so we can create a crown corporation, but so we can raise money. We want to ensure that any goodwill established throughout the lottery system can be maintained, because after several years of this program, certain people count on receiving funds from the lottery receipts.

Before we left to go to the chamber I mentioned that we were quite concerned with the authority given to these agencies and boards and that we wanted to make sure there was someone other than the procedural affairs committee who had the leverage and ability to know what was going on.

I want to bring to the minister's attention just one example of work which is done by a board appointed by this government, the Board of Ophthalmic Dispensers, which we had before our committee this past fall. Part of our report relating to this board stated, "In addition, the board was given responsibility for the provision of educational training of prospective opticians and regulating the professional conduct of registered opticians."

Not only is this board responsible for the conduct of opticians after they are approved, they are also responsible for how they are to be approved through the educational system. I say to you, that is an awful lot of authority. I say that we just cannot appoint people and give them this kind of power without their being subject to someone who has been elected, who knows what is going on at all times and has the authority to make changes quickly if the need arises.

You cannot expect the procedural affairs committee to do it. We see six commissions per year, and there are several hundred. We may see them this year and we may not see them again for who knows how long.

3:40 p.m.

We are also quite concerned about any potential conflict of interest and we want guidelines for anyone wishing to be appointed to any of these commissions. We want to ensure that there will be no conflict of interest in cases where the regulatory body may have authority over licensing, for example.

The other day in the House my colleague from St. Catharines (Mr. Bradley) questioned the Minister of Consumer and Commercial Relations concerning the hiring practices of the Liquor Control Board of Ontario. Many of us have felt for a long time that patronage is rampant in the Liquor Control Board of Ontario. That is one of the reasons why the procedural affairs committee called that body before its hearings. We were made aware of a particular case and the committee discussed that thoroughly.

If you have the report with you, Mr. Minister, I direct you to page 29 under the heading, "Recommendations." The relevant portion reads: "The committee was made aware that the hiring practices of the liquor control board do not always strictly conform with the practices and procedures laid down by the Civil Service Commission. The committee was made to understand that in some cases, when hiring temporary staff, for instance, local liquor store managers have been given considerable discretion in choosing prospective employees. Such discretion may permit the manager to adopt a policy of favouritism and the committee strongly believes that such favouritism has no place in the hiring practices of government agencies."

We were appalled by the evidence given before the procedural affairs committee. We do not think, for example, that the local president of the Progressive Conservative Party in the riding should be able to obtain applications for the liquor control board and give them out at the group's discretion, or that the names of its members should be used for recommendations. That type of thing, Mr. Minister, must become a thing of the past.

I think you are in a perfect position to ensure that such things do not happen and that all the citizens of Ontario may feel they have an equal opportunity for employment within the government, no matter which party they favour at any particular time.

I should also like to revert to something I touched on briefly before we adjourned. I

mentioned that there seems to be a cloud of secrecy over the appointment practices in these commissions. When I questioned the chairman of one agency on how he was appointed, he said it was because he had known someone who had previously been on the board. A gentlemen from another board which was before us said he was appointed because he had found out from the chairman of the board there was an appointment to be made, and through his acquaintanceship with the chairman of the board he knew enough to make an application.

I say to you, with all respect, Mr. Minister, there may be thousands of people out there who meet the requirements for appointment to these boards, but I do not think it is right or appropriate for some individual, just because he happens to know someone else who is on the board, to get the inside track to these appointments.

I go back to my original comment that these boards, agencies and commissions have too much authority and power over people's lives to have people appointed to them in this fashion. That is why we recommend advertising any vacancies which may occur at any time as far as any of the boards are concerned.

I was really concerned when we had the Ontario Labour Relations Board before us. The deputy minister was there and several members of the board. The chairman of the board was telling us, "We do not need to advertise; we already know the good people who are available because we operate in such a small circle."

I do not believe for a moment that they operate in such a circle and that it would be known to them who was available. I don't accept that. I accept the fact that there are hundreds and probably thousands of people who are willing, able and capable of serving. I think we should give those people an opportunity.

I think arguments which say existing members of the board are capable of knowing who is available are facetious. They are not going to appoint anyone to the board who may at some time have a vast difference of opinion with them. It is unbelievable that appointments would be made in this manner.

I want to leave that area for a while. Maybe we can get onto it when we move to other votes.

The Acting Chairman (Mr. Epp): Did you want the minister to reply now?

Mr. Mancini: No. I said at the opening, Mr. Chairman, I would prefer that the minister take his time. I am not looking for answers in the next few minutes if there are no answers available.

I would prefer it if the minister and his staff take their time and answer my questions in the

order I have placed them, because I have placed them in that order for a purpose. I do not want to go through what I went through last year when I asked a bunch of questions and they were answered in a fashion in which, for me, it was very difficult to follow.

I made that request of the minister. If he can please do that for me, I would really appreciate it.

Hon. Mr. McCague: Mr. Mancini, I think it is only fair though that I point out to you that in the last day of my estimates last year you were not there.

Mr. Mancini: That is correct.

Hon. Mr. McCague: I did not feel I was being fair with my other colleagues in government in taking up the time answering your questions when they were the people who were there to ask questions. I think that is a reasonable explanation.

I will do as you've asked me to do today, but I think the history of that is a little important too.

Mr. Mancini: With all due respect, Mr. Minister, you rose last year in the chamber and you said you would be answering the questions not in the order I had asked them but as they appeared under the voting procedure.

Hon. Mr. McCague: With no objection.

Mr. Mancini: I think there was objection, but if I did not make my objection strong enough then, I think I have made that point now.

Hon. Mr. McCague: You have now.

Mr. Mancini: We will not discuss it at this time.

I am concerned about the policy the Ontario government has concerning nonChristian religious holidays. I believe, as the government of Ontario, we must be the leaders in areas such as this.

I know there are a significant number of nonChristians who work in the Ontario public service and they basically are not allowed to observe their religious holidays without using vacation time or without using other time, which means the way the process is now, they are unable to take a religious holiday without that holiday costing them a day's pay.

I wonder why, after all these years, the government has not seen fit to honour at least a minimum of nonChristian religious holidays. The way it is now we honour three Christian holidays as paid holidays from the public service, Christmas, Good Friday and Easter. I think we should make some movement in this other area, and also respect and honour other people's religions to the best of our ability.

I bring that to the minister's attention and ask that he make a policy change in that area. I

believe that is the example I could give for the minister, if he wants to look at examples. I think Ontario Hydro has a fairly good system and possibly you might want to get some information from them as to how they allow their employees of non-Christian faith to honour their religious holidays.

3:50 p.m.

Also, I want to get to the area of affirmative action. Have I missed anything, or are there no women deputy ministers within the government, Mr. Minister?

Hon. Mr. McCague: There is one with deputy minister status, Dr. Crittenden.

Mr. Mancini: Was she not moved from ComSoc to—

Hon. Mr. McCague: The Ontario Human Rights Commission.

Mr. Mancini: The human rights commission. Out of 26 ministries—is that how many there are approximately?

Hon. Mr. McCague: Yes.

Mr. Mancini: What type of effort is made within the civil service to promote people on ability? The reason I ask is that it is very difficult for me to believe that in Ontario we are unable to find women who are able, qualified, and willing to serve in these capacities, such as deputy minister, and we do not want the appointment of one woman as a deputy minister just for the sake of tokenism and say, "Yes, we do have one."

If I recall—in no way do I want my comments to reflect on the ability of Dr. Crittenden—is that her name?

Hon. Mr. McCague: Yes.

Mr. Mancini: She was appointed in the International Year of the Woman, was she not, back in 1975, I believe?

Hon. Mr. McCague: Does anyone know the answer to that?

Mr. Mancini: Is that correct? That is the type of thing I am talking about.

Here we have a government which, in the International Year of the Woman, appoints a woman as a deputy minister in a major ministry. Four or five years later, the individual person is no longer there. There have been no new appointments and, from what we can see, there appear to be none in the immediate future.

Do you not find it odd and do you not find it embarrassing at all that this is the case? What

type of strong action can we expect from you to ensure that all people who work with the Civil Service Commission feel they will have advancement according to their ability?

Just to give the committee further information when you are replying, I guess you have a classification under senior executives or senior management. Do you have such a classification? I would like to know what percentage of that classification is women or in that classification would be women. I think that would make a good area of debate for the committee.

I think basically I have touched on all the major areas I wish to start initial discussion on. Depending on the answers I receive from the minister, I may have more to say a little later on.

I thank you and the committee and the minister and the staff for your indulgence.

The Acting Chairman: Thank you very much, Mr. Mancini. Is it your intention now, Mr. Minister, to reply to this, or would you like to hear from Mr. Germa first? Mr. Germa.

Mr. Germa: I do not intend to go through the minister's entire presentation to the committee. He has touched almost every aspect of his responsibility and he has a very considerable talent in pouring oil on troubled waters when he can blithely tell us he has reduced expenditures by 1.3 per cent and increased assistance to people by 6.6 per cent, and then very quietly say, of course, this has led to a tremendous increase in the number of grievances to the degree that we had to appoint 18 extra people to handle the plethora of grievances.

I am just wondering how he can ignore the fact that a high rate of grievances indicates a certain discontent and displeasure in the work place. This can only continue to increase until the lid flies off.

I have had long years of experience in the work place and the discontent in a plant or in this government is reflected by the number of grievances which are processed on an annual or on a monthly basis. Then to make the admission that we have had to triple our staff of people hearing grievances tells me something the minister should occupy himself with.

It just cannot continue. It cannot be allowed to continue at this rate because there will eventually come the point of breakdown. While we do have a good civil service in Ontario—I agree with the government's position—I would like it not to deteriorate to the point that they lose morale. Once you have lost morale, it is very difficult to recoup.

I would ask the minister to explain in detail, to go through this backlog of grievances in detail, possibly by ministry or area of discontent. I do not know which would give us the most information, but I think we deserve an explanation as to what is causing these grievances, what areas they are coming from, and what the government has in mind to resolve these grievances.

I suspect the curtailment of staff and the increase in service cannot be accomplished without increasing the work load on the persons involved. I think you can only increase the work load to a degree that is tolerable and then the resentment starts setting in. I would ask the minister to make a statement as to how he sees this problem, where it is coming from, and what he is going to do to resolve it.

My friend, Mr. Mancini, touched on another area this government is very good at—and it is part of the pouring of oil on troubled waters—this ability to create these trick names for various programs or activities, like zero-based budgeting and management by results. Now it is value-for-money auditing.

Value for money, of course, is a beautiful phrase and no one can argue with it. It is like arguing against motherhood. Everyone in the marketplace tries very desperately to get value for his money when he lays his money on the barrelhead. Even though each of us is very cognizant of our purse and how we use our own money, we have trouble getting value for money in the marketplace—or that has been my experience.

By saying we have a value-for-money audit does not say we have accomplished that result. I think we will never accomplish it unless something is aligned with the concept of value for money. There must be an objective and a goal enunciated at the time of the appropriation, projected into the future, that at some time we are going to arrive at this point after having expended this amount of dollars. Then you take a measurement when that time comes. If you have reached your objective and your goal, you have received value for money, but just to sit here and say we are doing value-for-money audits is not going to do.

4 p.m.

This value-for-money concept, of course, came out of the Lambert commission in the House of Commons. There are dozens and dozens of recommendations that went with the recommendation of a value-for-money audit. They recommended a five-year expenditure plan going into the future and making an estimation as to what goal we want to arrive at at the end of this five-year cycle. Only if you set a

goal and objectives and then measure how close you came can you then know what you have done as far as value for money is concerned.

I would ask the minister to comment on this measurement of value for money. As a member of the public accounts committee, our provincial auditor, under the new Audit Act, 1977, is also charged with doing an audit based on value for money. I think he is not quite sure how he is going to measure it. I think the government of Ontario has more facility than the provincial auditor to determine how you are going to measure that.

It is a good concept and I am with you 100 per cent. It has been a long time coming. If we can get this off the ground in a reasonable fashion, then these horror stories which come from the auditor's department every year, a whole book full of horror stories such as this document we get on a yearly basis from the provincial auditor, will end.

Despite all of these horror stories of sloppy administration, poor accounting, of outright theft in some cases, the chairman of management board pours oil on the troubled waters and says there is nothing wrong in Ontario, everything is going well. Except for a whole book of horror stories, a whole pile of grievances, we have value-for-money audit and everything is nice in Ontario.

The public accounts committee has been dealing with a review of agencies, boards and commissions—not in as much depth as the special committee has been dealing with it. Going back, you want to read the recommendations coming out of the committee, not only having to do with boards and commissions but with sloppy expenditure as it relates to royal commissions, for instance.

We made recommendations after examination of the royal commission on violence on TV and we cited very many examples of unjustified spending by that royal commission. And it was no small dollar, it was millions of dollars. Even to this time the government has not seen fit to issue guidelines to royal commissioners as to what kind of expenses they can expect to be paid.

For instance, we said the personal expenditure for royal commissioners be the same as that allowed for MPPs on select committees. We, as elected MPPs, do not deny ourselves very much. When we are serving on a select committee we are very well taken care of as to expenses. I think that is a recommendation the government could adopt, based on our experience, because elected members are great world travellers, as all of us here know.

Mr. Mancini: Not all of us.

Mr. Germa: Some are better than others, yes, but those who have had the experience, I think, cannot complain about their level of care; it is adequate—more than adequate—and a royal commissioner would not and should not feel deprived if his level of keep was equal to ours. Just why the government cannot act on a simple thing like that, I do not know.

We also had trouble with that particular commission in that the commissioner, by her own admission, did not know when she had completed her assignment. Even after the report was written, there were expenditures coming in because of phone calls or media interviews where time had to be spent answering questions in relation to the study that had taken place.

I think when a commissioner is appointed there should be something in the appointment which says, "At the moment you issue your report, please be on notice that no other expenditures will be accepted by the government of Ontario." Something such as this has to come to an end at some predetermined time because of the nature of the operation.

The time frame for reporting was another area where the committee was concerned; some of these royal commissions go on and on. If there is no answer to the question under study, then that is the answer to the question. If after haranguing it for one, two, three, four or five years, there is still no answer to the original question posed, then that is the commissioner's report at that given point—let us say three years down the road. There should be a time limit so we can get some handle on the expenditures.

The Acting Chairman: Some kind of sunset law.

Mr. Germa: A sunset law for royal commissions, yes, that is a nice term. The government of Ontario likes those nice terms like, "We will sunset the commissioner."

Those were just a few of the simple things the committee recommended. That recommendation on royal commissions, by the way, was made on June 22, 1978, and it is still in the auditor's report as an unresolved and unaccepted recommendation. The only power the public accounts committee has is to make a recommendation to the government; it does not have to accept. There are pages and pages of recommendations in the auditor's report which show me that dozens of these good recommendations we have arrived at, after much in-depth study, have not been accepted by the government.

Maybe the minister would like to comment on some of these unresolved recommendations coming from the public accounts committee. If it is the government's intention to ignore us

totally, then why are we doing it? I thought the public accounts committee was doing a good job and if the government is not prone to listen to us after us having put time on it, let us know and we will all go home to bed or something.

I want to raise another issue I have raised with the minister previously and I do not know why the government of Ontario is dragging its feet. It has to do with the professional licensed staff in the government civil service and their rights as individuals to organize themselves into a bargaining unit.

4:10 p.m.

I do not know whether the minister has seen all of the correspondence that has transpired as it relates to this International Labour Organization convention 87 and I would like to read an article out of convention 87 coming out of the International Labour Organization meeting, July 4, 1950.

Mr. Mancini: That is really going back.

Mr. Germa: Yes. That is how long we have been dealing with the government of Ontario on this.

It says: "Article 1: Each member of the International Labour Organization for which this convention is in force undertakes to give effect to the following provisions.

"Article 2: Workers and employers without distinction whatsoever shall have the right to establish and, subject only to the rules of the organization concerned, to join organizations of their own choosing without previous authorization."

That is a pretty wide and sweeping statement. Without restraint, people should have the right to organize. That was adopted by the International Labour Organization of the United Nations in 1950.

We move rapidly ahead to April 5, 1968, and the Right Honourable Lester Pearson, the then Prime Minister, sent a letter to all of the provincial Premiers, including the Premier of Ontario, who of course at that time was Mr. John Robarts, asking him for his comments on Canada's position in the ratification of the ILO convention 87.

The Acting Chairman: Pardon me, Mr. Germa, you said 87?

Mr. Germa: Convention 87, yes. That is the number of the convention from which I read where it says everyone should have the right without distinction, et cetera, to join.

We have the Prime Minister of Canada writing to Premier Robarts of Ontario and he responded to Pierre Trudeau in 1969. I read the second paragraph of a letter signed by John Robarts, the Premier, responding to the Prime Minister

of Canada and he said, "As far as this government is concerned, we can wholeheartedly endorse the principles of this convention."

So since 1969 we have had the Premier of Ontario saying that the government will abide by the principles of that convention, which says people have the right to organize without distinction, and yet even to this time the government of Ontario has seen fit not to allow licensed professionals to represent themselves when they are in the employ of the government of Ontario.

To show you how far out of line the government of Ontario is, we always look at what other jurisdictions have done.

Mr. Ashe: They generally come to Ontario to see how to do it.

Mr. Germa: In this case the rest of the world seems to be away ahead of Ontario.

Mr. Ashe: We cannot be perfect in everything.

Mr. Germa: Anyway, examination of legislation will prove that Ontario is indeed behind the times. Civil service professionals in Newfoundland, New Brunswick, Prince Edward Island, Quebec, Manitoba, Saskatchewan, British Columbia, and at the federal level all have the right to bargain collectively. Ontario still has not seen fit to grant our licensed professionals the right to bargain collectively, and the minister, to this point, has not offered an explanation as to why the government of Ontario chooses to be so far behind the times as far as this group of people is concerned.

I would ask the minister to respond to that as well. I could give him some background on the historical, chronological events as they transpired across Canada. In 1964, for instance, the Quebec labour code was amended to allow professionals in the private sector to organize into a unit. In 1965, the Quebec Civil Service Act was amended to allow professionals in the public sector to organize.

In 1967, the Public Service Staff Relations Act allowed federal licensed professionals to organize. In 1968, the Woods commission, which was a task force under federal jurisdiction studying labour relations in Canada, recommended that exclusions from bargaining should be held to an absolute minimum. So we have to strive for that goal.

The Ontario Labour Relations Act, 1970, was amended to allow professionals in the private sector to organize, so Ontario has seen fit to allow professionals in the private sector to do so. In 1972, the Canada labour code was amended to allow private sector organizing of professionally licensed people. In 1973, the BC Public Service

Act was amended to include licensed professionals. So you see, most of Canada has already adopted that principle, and I think by not adopting that principle you are causing hardship to certain licensed professionals in the public service.

For instance, here is the discrepancy between engineers in the private sector in Ontario and engineers in the Ontario Civil Service. Going back to 1976, in the private sector engineers had a 10.9 per cent increase in salaries; the Ontario Civil Service had 8.7 per cent. In 1977, the private sector had a 7.9 per cent increase and the public sector, 5.8 per cent. In 1978, there was a 6.5 per cent increase in the private sector; four per cent in the civil service sector. In 1979, it was 8.3 per cent outside of government; five per cent in government. In 1980, it was 11 per cent in the private sector; 8.4 per cent in the civil service sector.

I think the minister has to answer some questions. This discrepancy in wage advancement has resulted in an engineer in the public service of Ontario being 13.7 per cent behind an engineer in the private sector, or approximately \$3,600 a year. Now that is a pretty big buck to ask a person to forgo in order to work for the government of Ontario.

I think it could also lead to a reduction in the quality of professionals being attracted to the public service, because people, being what they are, will tend to go where the rewards are best. And if our reward structure in the Ontario public service is going to remain 13.7 per cent behind the private sector, we cannot expect to get the best applicants. I would ask the minister to respond to that as well.

I think that should terminate my opening remarks, but I hope it will not preclude me from raising any other points as we go through the individual votes of the ministry.

4:20 p.m.

Mr. Chairman: Thank you, Mr. Germa. Just for interest's sake, and with Mr. Epp's assistance—he has left for the moment—I noted that Mr. Mancini spent roughly 50 minutes on his leadoff and Mr. Germa almost 30 minutes. In those terms we will look forward to the minister to comment.

Now again, I am looking for direction from you. Do you want to go through each vote, or do you have some specific areas you just want to hit?

Mr. Germa: Is the minister going to respond?

Mr. Chairman: Yes, I'm just asking—

Mr. Mancini: It is the usual practice to respond. Then we can go over the votes.

Mr. Chairman: I was going to do that. I was just curious as to the way you wanted to proceed.

Mr. Mancini: You are one of the most reasonable chairmen we have.

Mr. Chairman: Two meetings ago you wanted me to resign.

Mr. Mancini: We had to break him in properly though.

Hon. Mr. McCague: I am not sure, Mr. Mancini is probably going to have to check Hansard afterwards to find out whether I answer these in the exact order in which he asked them. However, I would just like to make one correction. On page eight of my statement where it said 1,567 positions, that should have read "people." So maybe that could be corrected.

Mr. Chairman: That's at the very bottom of the page.

Hon. Mr. McCague: Yes.

The point Mr. Mancini raises about the four per cent probably needs to be clarified. What is being referred to is a statement from the 1978 Ontario budget in which the Honourable Darcy McKeough had a comment on the continued control on the number of civil servants. What it says is that for the fourth year in a row, the government placed stringent controls over civil service costs.

"Table seven shows the reductions in the size of the civil service achieved since 1976 and which have been reflected in cost savings. In 1978-79 the government is providing only a four per cent increase for general government spending. The new system of dollar control of manpower, with its emphasis on cost control rather than on numbers of civil servants, will ensure that if the civil service salary and wage settlements exceed four per cent, the additional payroll costs will have to be offset through staff reductions or through savings in administration."

Now I think that is the origin of the four per cent statement. That was in 1978-79 and that was accomplished.

Mr. Mancini: That was accomplished when, Mr. Minister?

Hon. Mr. McCague: In that year, 1978-79.

Mr. Mancini: And the program was abandoned?

Hon. Mr. McCague: It was not carried on in that same fashion. There is still a dollar control of manpower but it has not been lowered four per cent each year as was done in that particular year.

Of course, as well as having a dollar manpower control we have a numbers control, and that has been lowered each year for the past six

years now, I guess. And although our target for reduction for this year is in the area of 100, it cannot be argued that it is not, at least, progressing.

Mr. Mancini: Was that the figure, 100?

Hon. Mr. McCague: I am not sure of the exact number. Is Dick back there?

Mr. Chairman: I'm sorry, could you please be seated and speak into the microphone so your choice pearls can be recorded?

Mr. Patterson: The target this year is 300 less than it was last year.

Mr. Chairman: And we need your name too, please.

Mr. Patterson: My name is Dick Patterson.

Mr. Chairman: Do you think, Mr. Minister, we will have to call on Dick at other times for verification?

Hon. Mr. McCague: I presume one of the problems is there is no chair here.

Mr. Chairman: Well, pull up a chair and make yourself at home, and if you disrupt Mr. Germa or Mr. Mancini, I know you will hear from them.

Hon. Mr. McCague: The next question asked was on government spending and deficits. Of course, the total budgetary responsibility is that of the Treasurer. Our function is to work within the dollars we are allocated by the Treasurer, so prior to the commencement of our work, the Treasurer has decided what deficit, if any, he is going to allow. So we really do not have a function in that area.

Mr. Mancini: Is not the Treasurer part of the Management Board of Cabinet?

Hon. Mr. McCague: Yes, he is.

Mr. Mancini: Then how can the argument be made that you are not part of the decision, because surely the Management Board of Cabinet would be the group that would decide as a unit, what expenditures and revenues you are looking towards?

Hon. Mr. McCague: That is not so.

Mr. Mancini: You are saying that is done solely by Treasury?

Hon. Mr. McCague: That's right.

Mr. Mancini: And when they draw the bottom line figure, they hand it to you and you work with it?

Hon. Mr. McCague: That's right.

Now, you mentioned the buzzwords, value for money. I think it is important to note that value for money has been cited by many people, Macdonell, Lambert, and of course, is in our own Audit Act for the guidance of the provincial auditor.

The Audit Act of 1977 says that in his annual

report, in respect of each fiscal year, the auditor shall report on many things, two of which are: where money was expended without due regard to economy and efficiency or where procedures could be used to measure and report on the effectiveness of programs, the procedures were not established; or where, in the opinion of the auditor, the established procedures were not satisfactory. Now it is true that value for money is a reasonably new concept, highlighted by those people we have mentioned. And, of course, we at management board have been working on it for some time.

In my statement on the new role for internal audit, I think the best way of remembering all this is by referring to it as comprehensive auditing, which appears in the first paragraph on page five. Then it says that the traditional function of internal audit has been the evaluation of financial controls. However, we have had a task force and the recent recommendations from it call for the adoption by all ministries of auditing policies which embrace management controls, those concerned with efficiency, economy and effectiveness.

The public accounts committee has been mentioned on several occasions and they submitted a good report, just yesterday, on what they see should be done by this government in the years ahead. I compliment them for that report. Much of what they are suggesting has been under way for some time.

The task force report which was adopted talks about the financial control process being the activities concerned with safeguarding funds and other public property, ensuring compliance with legislative, central agency and ministry authorities, and providing financial information for ministry management decision making and higher levels of authority.

4:30 p.m.

Under the management control process, the activity is concerned with ensuring there is due regard to economy and efficiency and that appropriate procedures to evaluate and report program effectiveness, where such are feasible, are in place and operating satisfactorily.

I think this has been acknowledged by all groups that have talked about comprehensive auditing. We do not want to mislead you into thinking there is going to be a dramatic effect from all this in the next six months. It is something that is going to take time and was referred to, probably in the Lambert report, as taking up to five years to get a good system in place.

The next question asked by Mr. Mancini was

with regard to bargaining. As was mentioned, there are nine categories. He wished to know what the wage increases were in the past year.

In the administrative services category, on October 1, 1979, there was a nine per cent award to all classifications. In the clerical services category, as of January 1, 1980, there was an award of \$10 a week, plus five per cent on April 1, for an average increase of 9.3 per cent.

In correctional services category, which was for two years, there was an eight per cent award on January 1, 1980; 2.5 per cent on February 14, 1980; 2.5 per cent on October 1, 1980; eight per cent on January 1, 1981; and four per cent on July 1, 1981; for an average rate increase in the first year of 13.5 per cent and in the second year of 12.3 per cent.

In the general operational services category, the average increase was 12.2 per cent. In the institutional care category, it was a 15-month settlement of 13.91 per cent. In law enforcement, eight per cent on April 1, 1980, and two per cent on July 1, 1980. In the maintenance services category, there was an average increase of nine per cent. In the office services category, \$10 a week and five per cent on April 1, 1980. Scientific and professional services, nine per cent, October 1, 1979. Technical services, 7.5 per cent on October 1, 1979, and \$10 a week on June 1, 1980.

I think I have covered them all. If I have missed any, I can get those for you.

As far as bargaining is concerned this year, general operational, administrative, maintenance and scientific and professional categories are at the mediation stage. Office, clerical and institutional care are in negotiation; and the technical group are presumed to be going to arbitration.

Mr. Mancini: So that means you have not settled with any of them.

Hon. Mr. McCague: That's right.

Mr. Mancini: Is this common?

Hon. Mr. McCague: It varies from year to year.

Mr. Mancini: Why are we having so much difficulty reaching agreement with our civil servants this year? What are the stumbling blocks?

Hon. Mr. McCague: As usual, there is a gap between what the government is prepared to offer and what the union is prepared to accept.

Mr. Mancini: So it is basically a monetary issue.

Hon. Mr. McCague: Oh, yes. What I am

referring to here is all monetary. All the figures I gave you are monetary and working conditions are not included in any of those.

Mr. Mancini: Is this the first time you have been unable to settle with any category?

Hon. Mr. McCague: Of course, we have not dealt with them all yet. The answer to your question is, no. There were three categories last year that went to arbitration.

Mr. Mancini raised the point about the jail guards and the problem we had last year with an illegal strike. I do not think it is any surprise to the honourable member that in government we try to have as few categories as possible. It does make it easier to negotiate and the more you have, the more staff it takes and, of course, the more time it takes.

The member will know that I offered, albeit late in the scheme of things, to send the matter to arbitration before the strike began. That suggestion was initially rejected, but finally accepted by the union as a means of ending the strike. Of course, when the matter did go to arbitration, a ninth category was granted.

I might point out there are all kinds of groups that could ask for the same privilege and, of course, have done so on occasion. They are groups that represent quite a large portion of a category. For instance, nurses are 49 per cent of their category and cleaners are 34 per cent of theirs; and on and on to social workers, which are nine per cent, and resources technicians, 19 per cent. I am sure all of them have thought, from time to time, of setting up their own group.

You asked some questions about the ABCs and the committees and what effect, if any, the committee's actions had on future actions of the government. In the second report of your committee, I had responded to your recommendations one to 11, and they are dealt with

You were quite specific on conflict of interest guidelines for ABCs. We do have a guideline. I can read it all into the record, if you wish, or I could just give it to you.

Mr. Mancini: You could send it to me.

Hon. Mr. McCague: There it is.

Mr. Mancini: We will make sure that the next time we review the Board of Ophthalmic Dispensers your guideline is being met and not have the chairman of the board being not only the person teaching the course at a community college, but also the president of the board and sitting as a member of the group that decides whether they pass or not or whether they get into the program, and then sitting with the

group which decides whether, if a person commits an infraction, his licence will stay with him or not.

I hope your guidelines take care of all those items, Mr. Minister.

Hon. Mr. McCague: They take care of a good deal of them.

Mr. Mancini: It does not seem like it.
4:40 p.m.

Hon. Mr. McCague: You seem to have some criticism, which I can understand, but I think the same thing could apply to the medical associations or the dental associations. It is very difficult to have every agency or board where some member does not have a conflict of interest, and in most cases, they would be of little value on the board if they did not have some experience in the particular area. That does not apply to all of them, I know.

Then you mentioned your third report. This report has not been around for very long. Initially the management board will be responding to this; I understand it will be the Honourable Alan Pope, Minister without Portfolio, who will be responding in the spring on behalf of the government. In the meantime, we will be waiting for his report.

Mr. Mancini: What about the appointments of people to these agencies and commissions? Are you going to continue to appoint people in the same secretive manner as they have been in the past—

Hon. Mr. McCague: That is in your third report.

Mr. Mancini: Yes. —and in the same closed atmosphere just because someone knows the chairman he happens to know there is a vacancy, and therefore has the opportunity of applying while all the other good citizens of Ontario are left out of the process?

Hon. Mr. McCague: The next point you raised was that of hiring practices of the LCBO. You said, "patronage is rampant." The rules of the Civil Service Commission do not apply to the LCBO. They are not public servants and thus they are not under the Public Service Act. At this point, we do not have control of that situation.

Mr. Mancini: That was basically our point.

Hon. Mr. McCague: Yes. I understand that.

Mr. Mancini: Do you not feel that possibly they should operate under the same rules? If the rules are good enough for the government of Ontario, why are they not good enough for the liquor control board? My God, you have thousands of employees there.

Hon. Mr. McCague: Maybe Mr. Butler would explain the difference between the two.

Mr. Butler: The LCBO is one of, I believe, nine schedule II agencies that, some years ago, were established in a somewhat different manner to all the rest of the ABCs in the government. The principal reason for this was that they were designed to generate profit and earning and be at arm's length so they could function at the maximum level of efficiency for the people of Ontario and operate generally in a competitive environment with other kinds of similar-type industries. The LCBO was treated in that manner because, in fact, it was designed to generate earnings and profit which the government itself uses.

There are others. Hydro, for instance, is a schedule II agency, and there are about seven others. So it was felt at that time, as I understand it, that these particular and peculiar type agencies needed the kind of management flexibility that private business would inject, and it was for that reason that some of the principles which were applied to the Civil Service Commission under the Public Service Act were not applied there. That was the basic reason.

Mr. Mancini: Mr. Butler, the information you bring to the committee's attention is very good information and we are pleased to receive it, but I hope you have not missed the point there.

It is our contention, and we have received information to the effect, that patronage has run rampant within the Liquor Control Board of Ontario and that opportunities for obtaining employment are considerably less for a person who is not associated with the government party of this province.

We could eliminate that aspect completely if we used the same principles we use within the Ontario government service. That is the only point we make.

Your answer does not address that at all. It is just some good information that I am sure the committee was glad to receive, but I cannot see why we do not move in that area and, unless I hear something else, I do not think the minister has justified continuing the practice at the liquor control board.

Hon. Mr. McCague: I think probably you recall the Minister of Consumer and Commercial Relations answering that question in the House the other day. He said it was left up to the manager to hire the part-time employees and you have commented on that; however, I guess it is usually part-time people who are promoted to full time, should that arise.

Mr. Mancini: It usually works that way; the part-time people get the full-time jobs and they perpetuate the system. That is our problem. We

want to make sure the citizens of Ontario feel they have an equal chance at any opportunity that may come available.

I do not know why you are willing to take the political flak, because it might be greatly exaggerated. We believe it is not, but it might be. I do not know why you are willing to sit there and take all the flak that this is going on, when all you have to do is institute the same rules and guidelines you have been so willing to accept within the government civil service. That would clear the air completely.

Hon. Mr. McCague: We do it because we want to hear from you each year.

Mr. Mancini: Yes, I thought so.

Hon. Mr. McCague: The next question, I believe, was regarding religious holidays. I think you may have had correspondence with management board on this particular item, but religious holidays are not granted as additional leave with pay under the special and compassionate leave provisions because a large number of faiths are represented in the public service and many of these faiths provide for several religious holidays, sometimes in excess of six per year. We do not feel it would be appropriate for us, as an employer, to discriminate between the faiths or decide which of the religious holidays of a specific faith are important enough to qualify for additional days off with pay.

For this reason it has been our policy to permit employees to take time off for religious holidays as requested. Employees have the choice of using unpaid leave or of charging this leave to accumulated vacation or overtime credits. Special and compassionate leave is normally reserved for unforeseen personal emergencies.

Mr. Mancini: That is the answer?

Hon. Mr. McCague: That is the answer.

Mr. Mancini: How are they able to get around all these difficulties over at Ontario Hydro? I believe they have instituted a system where non-Christian religious holidays are honoured to some degree. How many paid holidays do civil service employees receive now?

Mr. Waldrum: Eleven.

Mr. Mancini: Out of those eleven, three of them are Christian holidays, is that correct? There is Christmas, Good Friday and Easter, correct? Am I wrong or am I correct?

Hon. Mr. McCague: Those are, anyway.

Mr. Mancini: Why can you not introduce a system—I do not want you to set up a board to decide which religious holidays are more important.

Mr. Chairman: Unless you are appointed to the board.

Mr. Mancini: No, I am not looking for a job, Sam. I do not want you to set up a board to decide which religious holidays are more important, because people, of course, would have different feelings on that, but you have set a principle of allowing three religious holidays. Why do you not use the floating holiday system used by the Ontario Hydro and the personal paid holiday system used in the private sector where an employee would get a personal paid holiday to be taken at his discretion for whatever purpose he decided to use it, and that would alleviate your problem?

You would not have to decide for a Jewish person or for a Moslem person which holiday is important to him. He or she would know they had that day or days coming to them and they could use it at their discretion. That seems to be a simple enough system. I just do not know why we do not move in that direction.

4:50 p.m.

Hon. Mr. McCague: Just to correct a little bit, my information is that Hydro employees do have to use their own holidays for religious holidays, for Greek or Russian Orthodox or non-Christian religions, but they do have 10 fixed holidays and they do have two floating holidays.

Mr. Mancini: There is the point I am trying to make. If persons of Jewish faith or Moslem faith are working for Ontario Hydro and a particular religious holiday is coming up, they have two floating days which they can apply to that particular holiday. It would not cost them a day's pay and they would be treated equally with all the other people under the employ of Ontario Hydro because they are not getting anything extra, they are just getting a choice as to when and how they wish to apply this time off. That could be easily done.

Hon. Mr. McCague: It is not as simple as all that. You would have to grant one more day, I think, to do all this, and an extra day's pay is over \$5 million.

Mr. Mancini: I am aware of that.

Hon. Mr. McCague: Plus the fact that if you grant a couple of floating days and want to stay at 11, you are going to have quite a few people working on Christmas day and that again causes some problems.

Mr. Mancini: Do you want to run that by me again? If you grant a floating holiday, you will have people working on Christmas day? How does that work?

Hon. Mr. McCague: If they are going to have

only so many fixed holidays in a year, we are at 11 now so if we granted them 10 and two, that is one more than we presently have.

Mr. Mancini: But those are days you have chosen.

Hon. Mr. McCague: Those are the correct figures. We have 11 fixed holidays now; Hydro has 10 plus two floating. If we were to go with one more—

Mr. Mancini: I am not saying to eliminate the Christmas holiday.

Hon. Mr. McCague: Obviously. I did not say to eliminate the Christmas holiday. I am saying if you go to your system you are going to have to have people working on a fixed holiday.

Mr. Mancini: What are the 11 days?

Hon. Mr. McCague: New Year, Good Friday, Easter Monday, Victoria Day, Dominion Day, Civic Holiday, Labour Day, Thanksgiving Day, Remembrance Day, Christmas Day and Boxing Day. There are four I guess you would call religious, and any special holiday proclaimed by the Governor General or the Lieutenant Governor, which would be the twelfth.

I just point that out to you before Mr. Epp answers that there are 400 groups listed as being religions.

Mr. Mancini: There is nothing wrong with that.

Mr. Charlton: Now you have as many religions as you have agencies, boards and commissions.

Mr. Mancini: So as far as you are concerned, that is the way the matter is going to lie, you are not going to move in the area of assisting people to observe their religious holidays, people who are nonChristians?

Hon. Mr. McCague: That is a simplistic way of putting it. No one is ever refused a day off.

Mr. Mancini: That is not my question.

Hon. Mr. McCague: I know it is not your question. I just think, while we can look at it, it is much more of a horrendous problem than it can be simplistically stated to be.

The next one was on affirmative action, what type of effort has been made. I might just relate to you, there have been 48 competitions this year; 1,803 men applied, 142 women; 263 of the men and 30 of the women were interviewed; six of the women were appointed and 45 of the men. Women represented 7.3 per cent of the applicants, 10.2 per cent of those interviewed were appointed.

Mr. Mancini: Are these senior positions you are talking about?

Hon. Mr. McCague: Executive positions. It is a difficult area. We are doing what we can to

encourage women to upgrade, giving them all the opportunities possible. We do not have specific targets, but in setting the goal for the year we do try to be realistic enough to realize there are a certain number of women who will want to apply for positions and I think we set a figure of 304.

Maybe, Ginny, you would just update us on that.

Mr. Chairman: Would you introduce yourself to the committee, please?

Ms. Cooper: Virginia Cooper. I am speaking in my capacity as women's adviser for the secretariat. In the corporate targets for the government as a whole, and that includes more than just the executive positions, Mr. Mancini, there were 304 targets set for all under-represented categories where women were fewer than 30 per cent of the category. As of September 30, 50 per cent of those targets had been met and the women crown employees office, which is responsible for monitoring the implementation of this, is confident that at the end of the year there should be more than 100 per cent of those targets met.

Mr. Mancini: We already know the facts at the deputy minister level. Where would the assistant deputy minister level and director fit into it?

Ms. Cooper: The director level has increased from 4.9 to 6.6 per cent women. There are two executive targets for this year, one of which has been met and I am not sure what the status of the other target is. At the ADM level, there are four women currently in that position.

Mr. Mancini: What percentage, do you have any idea?

Ms. Cooper: Of the overall executive structure?

Mr. Mancini: Yes.

Ms. Cooper: It would be four women out of the overall total of 654.

Mr. Mancini: Four out of 654.

Ms. Cooper: That is the whole executive structure from director on up to deputy minister.

Mr. Mancini: Four out of 654.

Hon. Mr. McCague: There are 48 ADMs, I believe.

Mr. Mancini: So what is the 654?

Ms. Cooper: That is the total in the whole executive structure, from director on up.

Mr. Mancini: You mentioned a six per cent figure in that area.

Ms. Cooper: The women directors are now 6.6 per cent, just at the director level. That is about a 1.5 per cent increase over last year.

Mr. Chairman: Just for clarification, Mr. Mancini brought up the idea of terms and I am curious when you refer to target. What does that mean; you are looking for women to fill the job, is that the target? It is a unique way of expressing it.

5 p.m.

Ms. Cooper: It is something Mr. McCague referred to also. They are numerical planning targets.

The women crown employees office has come up with a formula to be able to be more specific about where women can move into under-represented areas, those where they number less than 30 per cent. It is quite a realistic formula, based on turnover times the amount of women that are available to fill these positions. It really represents a minimum number. That is where the 304 figure came from this year. Based on that formula, 304 targeted positions were determined.

Hon. Mr. McCague: Mr. Mancini, I think those were your questions.

Mr. Mancini: Just one final question before you leave. I presume you have had targets in other years, have you not?

Ms. Cooper: No, not so formally.

Mr. Mancini: Was the first formal year 1979-80?

Ms. Cooper: These new proposals were incorporated into management board directives on April 1, 1980, so it is really the first year we have become this specific about acquiring numerical planning targets.

Hon. Mr. McCague: We are making great progress, Remo.

Mr. Mancini: How did you do it previously?

Ms. Cooper: It wasn't so focused. Each ministry was left to determine it on its own. It was still based on guidelines in a management board directive, but it was not as structured as it is now.

Hon. Mr. McCague: Mr. Germa's first question was on the high number of grievances. In the category of dismissal, there were 57 grievances; in discipline, which involves suspensions, demotions and reprimands, 184; under leaves, overtime and salary, 427; classifications, 67; and union policy or contract interpretations, eight.

Early in the year I became concerned about the backlog. As you probably know we were without a chairman for quite some time. We now have in place what I believe will be a successful new mechanism. We have a new chairman, also a vice-chairman who, as I said in the statement, acts both as expeditor and mediator, if that is possible. And we have increased the number of vice-chairmen to 26, in addition to the chairman.

There are reasons for the large number of grievances. I guess the single largest group of them resulted from the move of some Ministry of Transportation and Communications staff from Downsview to 5000 Yonge, where government policy sets out parking rates. There are, I think, 127 grievances on that particular subject.

The number of grievances has caught both the union and ourselves a little off guard. It has taken a while to gear up our mechanism to handle all that. I feel, too, that the changing outlook of society has probably got something to do with it. The younger people seem to be more prepared to challenge authority, and I don't say that's all bad.

We are now geared to clean up this backlog; granted it will take a while. We have responded to the union's request, and I guess really I asked my staff to put the system in motion before they mentioned the backlog to us.

I don't have a breakdown by ministry, Mr. Germa. If you would like that information I am sure we can get it for you and send it along.

Mr. Germa: I was just wondering if one ministry's policy was generating a lot of discontent. Can you say that it is spread throughout, that it is not concentrated in one particular ministry, apart from the 127 in MTC?

Hon. Mr. McCague: The answer to that is, yes, they are spread, but I don't think equally. Mr. Scott has something to say on that.

Mr. Scott: Obviously there are more grievances from the larger ministries. They are concentrated in MTC, Commercial and Social Services, Correctional Services and Health. The smaller ministries have proportionately fewer grievances, in some cases very few or none at all.

There isn't any one single issue or any breakdown in employee relations, in my view, that has caused the increase. I think it is just a natural increase that would be experienced in the private sector as well. As the minister said, the important thing is the way we react to the increasing number, and I think that is under control.

Mr. Germa: It is true there is more discontent in the private sector as well and more grievances; I know that. But the pressure is on out there too. Fewer and fewer workers in a particular operation are expected to produce more, and that puts pressure on people.

Hon. Mr. McCague: Mr. Germa raised the question of guidelines for royal commissions. We do have guidelines. These are a couple of examples.

Salaries and expenses paid to commission

staff should be comparable to those paid for similar jobs in the civil service. There is no mention of comparability with MPPs. That may be good or bad; I won't pass judgement on that.

The time frame for reporting is something that worries everyone. The problem that might be brought to your attention by the Attorney General (Mr. McMurtry) is that you cannot really ask a commission to do something within a stated period of time because you should not be interfering with its ability to pursue variances discovered as it goes along. None of them has been in business as long as our own company law committee has, but I guess that is a little different. I will give you these guidelines for your information.

You were asking if the government is listening to what comes out in the public accounts committee reports. As I said a little earlier, I think that the committee has produced a good report, which will be of interest to us. The people from the Civil Service Commission and from management board appeared as witnesses, and some of the recommendations that were made were discussed with them. They will be looking at this report with great interest.

5:10 p.m.

You mentioned licensed professional staff and convention 87 of the International Labour Organization. I note that quite a bit of the background material you mentioned today was from the report of the Federation of Engineering and Scientific Associations report. I am meeting with them tomorrow to discuss whatever points they wish to put before me.

You referred to Mr. Roberts' letter. It was mentioned that Ontario accepts the principles of the conventions of the ILO, and that is still the position of this government, but it must be borne in mind that the laws of member countries take precedence over the conventions. Up to this time we have not been convinced that the granting of bargaining rights to licensed professionals in Ontario is in the public interest. However, we are always prepared to review our position. As I said, I am meeting with the group tomorrow.

We don't feel that we are 13.6 per cent behind the market with regard to an engineer's salary. You could pick out figures for comparison purposes which would show that we are 10 per cent ahead, 10 per cent behind, or even deadlocked. The salaries paid to engineers in the Ontario government are very competitive with a broad cross-section of private employers and other public jurisdictions.

On the value-for-money concept, the goal which you mentioned had to be enunciated and

followed up by measurement, that is exactly what we will be doing. I must reiterate that although the process has already started, it is going to take some time before we will be able to report results as concrete as you would like.

Mr. Germa: When are you going to start publishing the goals and objectives of a particular budgetary line?

Hon. Mr. McCague: A budgetary line?

Mr. Germa: An expenditure, or a program. In what form is that going to be—or have I missed something?

Hon. Mr. McCague: Perhaps Dick Patterson would deal with that. I don't quite understand your question.

Mr. Patterson: I believe, sir, that the question refers to the present practice in the estimates book of providing a description of the program and activity, rather than stating a specific kind of objective.

That is an item that has been under some discussion in Ottawa. We understand they are making some revisions. We are drawing upon their experience and looking upon it ourselves. But the question is somewhat larger than just internal arrangements. I am not aware of any specific decision to change that.

Mr. Germa: I still don't understand exactly what you mean. You seem to be absolving yourself of the responsibility to identify an objective, whether it is in people, miles, pounds or whatever measurement you are going to use. Is that not going to happen? Is that what you are saying?

Mr. Patterson: I could not make a prediction of that nature and say it would or it would not happen. From the work which has gone on in Ottawa, where they have been at it with a lot of people over a long period of time, reasonable difficulties in developing objectives have been encountered which are both specific and meaningful, considering some of the kinds of problems that one has.

Therefore the success of the proposed initiative, and that is what is being proposed in Ottawa now, is not altogether clear. It is one of the things that Lambert, for example, dealt with in his report, that the direction for the future has not altogether been determined, and I think that same question of review and decision is relevant in Ontario. I do not know what the decision would be for the future.

Mr. Germa: It appears that this fancy statement

will go the way of all these other zero-based budgetings and management by results utterances. Like these other things, it is going to go the way of the dodo bird.

Hon. Mr. McCague: I don't believe that to be true, Mr. Germa. Management by results has been successful in government.

Mr. Mancini: How do we know, George?

Hon. Mr. McCague: I guess we could have you over some day and go through some MBRs with you, show you the performance indicators and also the improvement there has been.

Mr. Mancini: I hoped you would be as generous as to offer me a trip to Europe or somewhere, George.

Hon. Mr. McCague: I know it is not far; it is just across the street. I am sorry about that.

It is worth reiterating that the act says, Mr. Germa, that money was expended with due regard to economy and efficiency; and where the procedures could be used to measure and report on the effectiveness of the programs, the procedures were not established or, in the opinion of the auditor, the established procedures are not satisfactory. I think your question is a slightly different one and one that we might look at, but I am not sure that could be done.

You also raised a question, which I did not answer, about what happens when the auditor makes recommendations. It is the responsibility of management board, acting on behalf of cabinet, to ensure that ministers promptly and thoroughly address the auditor's recommendations. Since the ministries are individually accountable for their actions within the collective responsibility of the cabinet, it is the ministry which decides what, if any, action needs to be taken in response to the recommendations. Those recommendations are wide ranging, as you know, but I think you will find that the auditor's remarks in practically all situations are heeded and acted upon.

Mr. Germa: Can I get back to the ILO convention 87? You accept the principle, but the time has not arrived for an introduction of the concept. Do you realize that you are out of step with the rest of Canada? How do you say that we are right and the rest of Canada is wrong? That is what you are saying.

Hon. Mr. McCague: I don't think that is so. There are bargaining privileges extended to some groups across Canada that we do not extend, but that varies to a great extent. There are a lot of lawyers who do, but most do not; a

lot of doctors do, but most do not. There are, I believe, more provinces that have bargaining for engineers than do not, but we have not seen fit, at this point, to grant bargaining status to such groups. There is a great proliferation of them and it is a very difficult process.

I think I have answered the questions raised by the two critics.

Mr. Chairman: We will move into the specific votes, if that is the wish of committee members, and I presume it is.

Votes 401 to 405, inclusive, agreed to.

Mr. Chairman: That completes the estimates of Management Board of Cabinet.

The committee adjourned at 5:21 p.m.

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 Charlton, B. (Hamilton Mountain NDP)
 Cureatz, S.; Chairman (Durham East PC)
 Epp, H.; Acting Chairman (Waterloo North L)
 Germa, M. C. (Sudbury NDP)
 Mancini, R. (Essex South L)
 McCague, Hon. G.; Chairman of Management Board; Chairman of Cabinet (Dufferin-Simcoe PC)

From the Management Board of Cabinet:

Butler, R. J., Secretary, Management Board Secretariat
 Cooper, Ms. V., Executive Assistant to the Secretary, Management Board Secretariat and Women's Advisor
 Patterson, Z. R., Executive Director, Programs and Estimates Division, Management Board Secretariat

From the Civil Service Commission:

Scott, J. R., Executive Director, Staff Relations Division
 Waldrum, G. H., Chairman



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Legislature of Ontario Debates

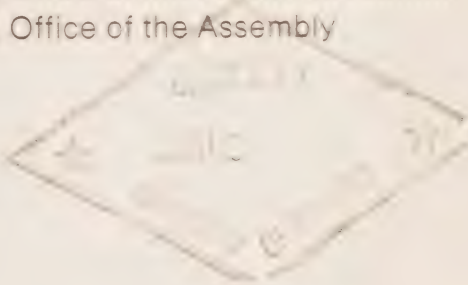
Official Report (Hansard)

Standing Committee on General Government

Supplementary Estimates, Office of the Ombudsman

Supplementary Estimates, Office of the Provincial Auditor

Supplementary Estimates, Office of the Assembly



Fourth Session, 31st Parliament

Friday, December 12, 1980

Speaker: Honourable John E. Stokes

Clerk: Roderick Lewis, QC

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LEGISLATURE OF ONTARIO

STANDING COMMITTEE ON GENERAL GOVERNMENT

FRIDAY, DECEMBER 12, 1980

The committee met at 11:54 a.m. in committee room No. 1.

SUPPLEMENTARY ESTIMATES, OFFICE OF THE OMBUDSMAN

Mr. Chairman: I see a quorum. Thank you very much for your attendance so that we might pursue the wonderful investigations of the general government committee. We are so happy to see George Ashe here.

On vote 1201, Office of the Ombudsman program:

Mr. Chairman: We are going to try to finish off the estimates of the Office of the Ombudsman. If I recall, Mr. Lawlor had finished some discussions about rental of the building and how you would save money with telephone pushbutton devices. I guess we are groping for any questions or inquiries by any members on program activity for the supplementary estimates, 1980-81.

Mr. Epp: Are you doing the Office of the Assembly first?

Mr. Chairman: No, we are doing the Ombudsman.

Mr. Epp: Does the auditor have any comments on it? Or the Ombudsman, pardon me.

Mr. Ashe: Is that a promotion or a demotion?

Mr. Chairman: Probably a demotion.

Hon. Mr. Morand: Well, the auditors are in the news these days anyway.

Our estimate for the supplementary estimates normally, in view of the cost of living, which, as a percentage increase, was 8.36 per cent, would have been \$173,000, but we are only asking for \$83,000 because we have made savings totalling \$90,000. So we are not asking for the full amount we would normally have asked to pay the cost of living allowance.

That is about all I can say.

Mr. Laughren: Better than the Liberal restraint package. They have something to learn.

Vote 1201 agreed to.

SUPPLEMENTARY ESTIMATES, OFFICE OF THE PROVINCIAL AUDITOR

On vote 1101, administration of the Audit Act and statutory audits program:

Mr. Chairman: Here is the auditor; he was complaining about someone spending too much money and he is coming back for more money for himself. Is this what you are doing? Mr. Scott, is that what you are trying to tell us?

Mr. Epp: Is the auditor's report out now, sir?

Mr. Scott: Yes. The report was tabled yesterday.

Mr. Epp: That has not been distributed to the members yet, has it?

Mr. Scott: It should be.

Mr. Epp: It was in the paper this morning, but I have not received my copy yet.

Mr. Scott: They were delivered to the post office, to be put in every member's box, yesterday around 3:30, so you should have a copy.

Mr. Chairman: And this is why we are passing the supplementary estimates, so we can pay for that.

Mr. Scott: Mr. Chairman, if I may, the purpose of the supplementary estimates is to pay the cost of living economic revision that was awarded by the government to civil servants.

If you take the average in our categories, it worked out to approximately 8.3 per cent. If we were to take 8.3 per cent of our salary budget, we would require \$169,000. However, as we were unable to recruit all of our complement of professional staff, we only have to request approximately \$101,500 for salaries.

And then this year, the Ministry of Government Services decided to charge the telephone instruments back to the various offices. So we require an additional \$8,500 for telephones; that was not provided. Our request is for \$110,000 in supplementary estimates.

Mr. Chairman: Any questions?

Vote 1101 agreed to.

Mr. Hodgson: Tough morning.

Mr. Scott: Yes, very tough.

SUPPLEMENTARY ESTIMATES, OFFICE OF THE ASSEMBLY

On vote 1001, Office of the Assembly program:

Mr. Chairman: Mr. Fleming, do you have an

opening statement or any remarks of great wisdom?

12 noon

Mr. Fleming: The increase we are asking for in the supplementary estimates is \$2,408,700. We could give you a breakdown on each item, but, basically, I might give you just an across-the-board look at this.

There is a total of \$1.3 million which is entirely devoted to salaries and wages.

The revision in terms of members' constituency offices—that is the increased allowance for the office itself and for staff—would come to \$695,000.

Then there is the salary revision for Legislative Assembly staff which became effective April 1, 1980, which was approved by the Board of Internal Economy. That would be \$480,000.

There was the revision of the members' indemnities, which also was effective April 1; that was \$325,000.

The chairman of the Commission on Election Contributions and Expenses had a salary revision approved by the Board of Internal Economy of \$2,500.

There were several positions in the assembly staff approved by the Board of Internal Economy, which funds had not been approved in the original estimates. This came to \$77,000.

There was a salary revision for members' support staff—that would be the secretary-assistants in your offices at Queen's Park—which came to \$33,000.

There was a position reclassification which came to \$23,000. This would be the case of some individuals in the assembly whose job descriptions and work would have been changed totally. That totals \$1,314,000. Then there were employee benefits of \$90,000, which would cover those salaries and wages.

In the past year as far as transportation and communication is concerned, the assembly has had to take on the actual payment for the Toronto Centrex system, which, of course, goes out to the province. This was previously paid for by the Ministry of Government Services and amounts to \$176,000. I might add that the total increase we are asking for in transportation and communication is \$480,500.

Then there is the cost of travel and communication for select and standing committees, which has been approved by the board from a motion by the chairman. We are asking there for \$192,000.

As you may recall, there was an increase in the members' accommodation allowance to \$6,500 on April 1. That would add another

\$78,000. There was also an increase in the members' mileage allowance effective April 1. That was \$52,000.

I might say at this time that the Board of Internal Economy met last night and there has been approval for a northern members' mileage allowance of 18 cents, retroactive to October 1. There would be a mileage allowance for southern members, which will now be 17 cents. Members would be paid back for any costs they have accumulated between October 1 and now.

Also in transportation and communication, there is the cost of telephone access, which comes to \$36,000, which is in connection with the public now being able to telephone members' offices in the constituency. There was an approved increase in the constituency office postage allowance which comes to \$10,300.

The increase in connection with the Commonwealth Parliamentary Association, whereby the assembly is sending members to various meetings of the association, was another \$10,000.

Increased regular travel in connection with all of the offices of the assembly was another \$4,600. Increased long-distance telephone is \$1,500.

That totals \$511,500.

In connection with services we are asking for \$332,000. This means revision of the members' constituency office accommodation allowance, which totals \$212,000. Cost of services for select and standing committees which had been approved by the Board of Internal Economy—these were not included in the original estimates—come to \$127,000. This would represent such things as consulting fees, research assistance, additional expenditures in connection with the committee.

We had to pay \$54,000 to retain the services of Ontario Educational Communications Authority for the constitutional debate; that was another \$54,000.

Additional funds were required for the library renovation which was undertaken by the Ministry of Government Services at an original budget of \$250,000 and the Government Services ministry asked for an increase of \$27,500, which I think was in connection with furnishings and some adjustment in their arrangements with the contractors.

We had to increase photocopying production in the building by \$21,000, due principally to the very large number of bills and copies of committee Hansard which are now required.

There was a consultation fee for the study of LARAA, the members' pension plan, which was \$17,000; data services, \$9,000; increase in French language translation, \$10,000; increase in staff

training and development, this would cover about 250 employees of the assembly, \$5,000; a total for services of \$364,000.

There is not too much left. The supplies and equipment was \$106,000. This would cover all aspects of supplies and equipment for select and standing committees which was \$30,000. This would be in terms of furniture and presumably typewriters, this type of thing.

Printing costs of the 1980-81 government estimates, which we pay for, came to \$44,000.

Mr. Laughren: Half of those estimates costs were from the Ministry of Industry and Tourism, given the glossy and expensive document they put out.

Mr. Fleming: This covers the Treasury bill for their estimates.

Mr. Chairman: The nuts and bolts cost a lot of money, too.

Mr. Fleming: The cost of redecorating and refurbishing the NDP leader's office was \$14,800; the increase in office and duplicating supplies, \$6,000. We had to replace a steam boiler in the dining room at a cost of \$14,000; silverware and tableware replacement, \$4,000.

Mr. Laughren: Do you lose a lot of silverware in the dining room?

Mr. Fleming: Mr. Miggiani could make a comment on that, it is quite high. The total there is \$115,000.

Then finally the increase to LARAA, as far as the government side is concerned, \$32,000, to cover the increase in members' salaries.

That is a very detailed explanation of the whole thing, because otherwise we would have to go through it line by line.

Mr. Ashe: When you talk about the increases relative to, for example, accommodation allowance, operation of the constituency offices, constituency salaries, and so on, did that pertain to strictly taking the new increases multiplied by 125 and that becomes the figure, or are you really looking at the practicality of what that is?

Not everyone, for example, has a riding office; not everyone is going to go to the maximum; and similarly, except tenfold so, in terms of accommodation.

Mr. Fleming: We have a yes and a no answer and I think Mr. Miggiani could give it.

Mr. Miggiani: The answer to that, Mr. Chairman, is we do originally calculate 125 members times the approved formula, but then we also make a calculation based on historical factors—that is, who is likely not to use the full allowance—and based on that we make reductions. In other words in going for \$2.4

million we are not going for what is actually authorized, we are going for less; we always do that.

12:10 p.m.

Mr. Ashe: You do that in the original estimate?

Mr. Miggiani: We do that in the original estimate.

Mr. Ashe: That is really all I wanted to find out. Otherwise, you have automatic over- or underexpenditure.

Mr. Miggiani: We do that to prevent Treasury from borrowing money unnecessarily; that is part of our course.

Mr. Laughren: At the risk of offending the newest member of the Legislature, I wanted to commend the board, the ministerial office, on the performance of the French language training facilities which are available to members and of which I avail myself. It is an excellent program. The teaching that I have been exposed to is really, really good, I have nothing but good words for it.

I do not know how you would go about this, but as members get into it, and I suspect more will, I would hope that some day there will be an opportunity for an exchange in Quebec—there are programs out there—some way of tying in members of the Legislature so they go to Quebec for a month and get some immersion in a totally French community with a French-speaking family. That would seem to me to be the logical next step if we are serious about providing French language training for our elected members.

I think you have started off extremely well. I can only give you good words about the program.

Mr. Chairman: Would Mr. Nixon like to make a comment about lawyers in general now that he has got a bit of a platform?

Mr. Nixon: You are stimulating.

Mr. Epp: I was not going to press the point. I was just wondering when they are going to get some new teapots in the dining room, the ones that do not spill all over the table every time you have a cup of tea.

I think it is most embarrassing. You are trying to have a nice setting there and you just cannot put forth some teapots that do not spill all over the tablecloth.

Mr. Fleming: How about Monday morning?

Mr. Epp: Is that when you are starting?

Mr. Fleming: We will talk to them about it.

Mr. Laughren: Monday morning, after we are all gone.

Mr. Epp: I realize it is not a pressing problem.

Mr. Chairman: It is nice to see the Speaker in our presence, joining the general government committee.

Mr. Laughren: Is there money in these estimates for moving the civil servants out of this building and giving it back to the members?

Mr. Hodgson: I think Mr. Miggiani was going to tell us about the disappearance of the silverware.

Mr. Laughren: I am waiting for an answer,

Mr. Miggiani: There is no money contemplated.

Mr. Laughren: I would approve money for that kind of expenditure.

Mr. Chairman: Mr. Miggiani, Mr. Hodgson had an inquiry.

Mr. Hodgson: You mentioned that you were going to say a word on the flatware in the dining room, how much it is costing to keep it replaced.

Mr. Miggiani: It is costing us quite a bit, Mr. Chairman. I do not have the exact details, but we are probably losing in excess of \$5,000 a year. It just disappears. In fact, sometimes the staff of the cafeteria or the dining room go to the

various offices—it is like a raid, if I may call it that—and they pick up a lot of cutlery and trays and cups and saucers lying all over the place.

Clerk of the House: Remember when we first had the coffee in the lobbies we had spoons; they all disappeared in the first week so after that we had to have stirrers.

Mr. Ashe: They serve the same purpose.

Mr. Miggiani: They were in the drawers of desks and filing cabinets. They were all over the place, and that is the truth.

Mr. Hodgson: I hear restaurant operators are having the same problem with flatware and silverware. They have a terrific expense in replacing it every year.

Mr. Laughren: I am afraid to ask which table the silverware disappears from.

Mr. Chairman: We have come a long way on questioning the Treasurer on BILD and \$740 million to tablespoons in the lobbies, I must say. We have done the whole ambit.

Vote 1001 agreed to.

The committee adjourned at 12:16 p.m.

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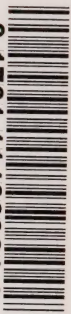
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From the Office of the Ombudsman:
 Morand, Hon. D. R., Ombudsman

From the Office of the Provincial Auditor:
 Scott, F. N., Provincial Auditor

From the Office of the Assembly:
 Fleming, R. J., Director of Administration
 Lewis, R., Clerk of the House
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